THE STATE BANK OF INDIA (SUBSIDIARY BANKS) ACT, 1959

THE SUBSIDIARY BANKS GENERAL REGULATIONS, 1959

&

THE STATE BANK OF HYDERABAD ACT, 1956

STATE BANK OF INDIA
LAW DEPARTMENT
CORPORATE CENTRE
MUMBAI

[As amended up to 27th June 2014]
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THE STATE BANK OF INDIA (SUBSIDIARY BANKS) ACT, 1959
The State Bank of India (Subsidiary Banks) Act, 1959

[ACT NO. 38 OF 1959]1

[10th September, 1959.]

An Act to provide for the formation of certain Government or Government-associated bank as subsidiaries of the State Bank of India and for the constitution, management and control of the subsidiary banks so formed, and for matters connected therewith, or incidental thereto.

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

CHAPTER I

PRELIMINARY

1 Short title

This Act may be called the State Bank of India (Subsidiary Banks) Act, 1959.

2 Definitions

In this Act, unless the context otherwise requires,--

(a) "appointed day" means,--

(i) in relation to an existing bank, the date on which the corresponding new bank is constituted under section 3;

(ii) in relation to a new bank, the date on which that new bank is constituted under section 3;

(iii) in relation to the Hyderabad Bank, the date on which the amendments to the State Bank of Hyderabad Act, 1956, (79 of 1956) take effect under Part VII of the Third Schedule;

(iv) 2[...]

(b) "corresponding bank" means,--

(i) in relation to the State Bank of Bikaner, the Bank of Bikaner, Limited;

3[...]

4[...]

(iv) in relation to the State Bank of Mysore, the Bank of Mysore, Limited;

1 The Act been extended to Dadra and Nagar Haveli (w.e.f. 1-7-1965) by Reg. 6 of 1963, s. 2 and Sch. I. and to Goa, Daman and Diu by Reg. 11 of 1963, s. 3 and Sch.
2 Sub-clause (iv) omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
3Sub-clause (ii) omitted by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 (7 of 2011), Section 2. The sub-clause before its deletion was “(ii) in relation to the State Bank of Indore, the Bank of Indore, Limited;”
4 Sub-clause (iii) omitted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962), Section 3 (1-1-1963).
(v) in relation to the State Bank of Patiala, the Bank of Patiala;
(vi) in relation to the State Bank of Travancore, the Travancore Bank, Limited;
(c) "corresponding new bank" means,--
(i) in relation to the Bank of Bikaner, Limited, the State Bank of Bikaner;

1[...]

2[...]

(iv) in relation to the Bank of Mysore, Limited, the State Bank of Mysore;
(v) in relation to the State Bank of Patiala, the State Bank of Patiala;
(vi) in relation to the Travancore Bank, Limited, the State Bank of Travancore;
(d) "existing bank" means any of the following banks, namely:--
(i) Bank of Bikaner, Limited;

3[...]

4[...

(iv) Bank of Mysore, Limited;
(v) Bank of Patiala;
(vi) Travancore Bank, Limited;
(e) "Hyderabad Bank" means the Hyderabad State Bank constituted under the Hyderabad State Bank Act, 1350-F, and renamed the State Bank of Hyderabad under sub-section (1) of section 3 of the State Bank of Hyderabad Act, 1956 (79 of 1956);
(f) "new bank" means any of the banks constituted under section 3;
(g) "prescribed" means prescribed by regulations made under this Act;
(h) 'Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934);
(i) 5[...];

(j) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955);
(k) "subsidiary bank" means any new bank and includes the Hyderabad Bank 6[...].
(1) "Tribunal" means the Tribunal constituted under section 15.

7[(m)] "workman" has the meaning assigned to it in the Industrial Dispute, Act, 1947 (14 of 1947).

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1 Sub-clause (ii) omitted by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 (7 of 2011), Section 2. The sub-clause before its deletion was “(ii) in relation to the Bank of Indore, Limited, the State Bank of Indore;”
2 Sub-clause (iii) omitted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962), Section 3 (1-1-1963).
3 Sub-clause (ii) omitted by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 (7 of 2011), Section 2. The sub-clause before its deletion was “(ii) Bank of Indore, Limited;”
4 Sub-clause (iii) omitted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962), Section 3 (1-1-1963).
5 Clause (i) omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
6 Words "and the Saurashtra Bank" omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
7 Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 20 with effect from .1-7-1974.
CHAPTER II

[CONSTITUTION OF NEW BANKS AND CHANGES OF NAME OF ANY SUBSIDIARY BANK]

3 Establishment of new banks

With effect from such date, as the Central Government may, by notification in the Official Gazette, specify in this behalf, there shall be constituted the following new banks, namely:

(a) [the State Bank of Bikaner];

(b) [...]

(d) the State Bank of Mysore;

(e) the State Bank of Patiala;

(f) The State Bank of Travancore;

and different dates may be specified for different new banks.

3A [Change of name of a subsidiary bank]

(1) The Central Government after consulting the State Bank and the Reserve Bank may, by notification in the Official Gazette direct that the name of any subsidiary bank shall, with effect from such date as may be specified in this behalf, be changed to any other name and thereupon any reference to that subsidiary bank in this Act or any other law for the time being in force or in any contract, instrument or document shall be construed as a reference to that bank by its new name.

(2) The change in the name of a subsidiary bank under 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 that bank by its former name may be continued by or against it by its new name.

1 Subs. by Act 56 of 1962, Sec. 3, for the former heading
2 As per notification no.F.8/85/62-SB, dated 18th December 1962 by the Ministry of Finance, Government of India under sub-section (1) of Section 3A of the Subsidiary Banks Act, with effect from the 1st January, 1963, the name of the State Bank of Bikaner has been changed to the State Bank of Bikaner and Jaipur.
3 Clause (b) omitted by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 (7 of 2011), Section 3. The sub-clause before its deletion was “(b) the State Bank of Indore;”
4 Heading of Chap. II substituted and clause (c) omitted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962), Section 3 with effect from . 14-12-1962.
5 Inserted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962), Section 3 with effect from . 14-12-1962.
4 New banks to be bodies corporate

(1) Every new bank shall be a body corporate with perpetual succession and a common seal and shall sue and be sued in its name.

(2) The body corporate constituting each of the new banks shall consist of the State Bank and other shareholders, if any, for the time being of the new bank.

(3) Every new bank shall 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 its business and to dispose of the same.

5 Head office and branches of new banks

(1) The head office of each of the new banks shall be at such place as the Central Government may, by notification in the Official Gazette, from time to time, specify.

(2) Every new bank shall maintain as its branches all branches of the corresponding bank in existence immediately before the appointed day, and shall not establish any new branch or discontinue any branch except in consultation with the State Bank and with the approval of the Reserve Bank.

6. 1[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, 1[in consultation with the Reserve Bank and with the approval of the Central Government,] authorise a new bank to increase or reduce its authorised capital.

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1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 6 with effect from 09-07-2007. The Section before its amendment was “6. Authorised capital or new banks : (1) Subject to the provisions of this Act, the authorised capital of the State Bank of Mysore and the State Bank of Travancore shall be rupees two crores each. and the authorised capital of every other new bank shall be rupees one crore. (2) The authorised capital of every new bank shall be divided into shares of one hundred rupees each. (3) Notwithstanding anything contained in this section, the State Bank may, with the approval of the Reserve Bank, authorise a new bank to increase or reduce its authorised capital; Provided that where the authorised capital is so increased, the shares issued shall be of the de-nomination specified in sub-section (2).”
7 Issued capital of new banks

(1) On the appointed day, the issued capital of a new bank shall consist of such amount divided into fully paid-up shares of hundred rupees each, as the State Bank may, with the approval of the Reserve Bank, fix.

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

(2) All shares in the issued capital of a new bank shall, on the appointed day stand allotted to the State Bank.

(3) The State Bank shall, as soon as may be, after the determination, if any, by the Tribunal, of the amount of compensation payable in respect of an existing bank, consider whether any increase in, or reduction of, the issued capital of the corresponding new bank as fixed under sub-section (1), by way of adjustment, or transfer from or to, the reserves of such bank, or in any other manner, is necessary or expedient and may, thereafter with the approval of the Reserve Bank, direct that bank to increase or reduce its issued capital.

(4) A new bank may from time to time, with the approval of the State Bank and the Central Government in consultation with the Reserve Bank, increase, whether by public issue or rights 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.

1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 4 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.

2 Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 7 with effect from 09-07-2007.

3 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 5 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.

4 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 7 with effect from 09-07-2007. The sub-sections before its amendment was “(4) Without prejudice to the provision contained in sub-section (3) a new bank may, with the approval of the State Bank and the Reserve Bank, increase from time to time, its issued capital and the capital so increased shall consist of fully paid-up shares to be issued in such manner as the State Bank may, with the approval of the Reserve Bank, direct.

5 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-five per cent of the issued capital of that bank,”

5 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 5 with effect from 01-12-2011, for the words “with the approval of the State Bank and the Reserve Bank”.

6 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 5 with effect from 01-12-2011, for the words “public issue”.

14
(6) A new bank may, \(^1\) with the approval of the State Bank and the Central Government in consultation with 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, \(^2\) in consultation with the Reserve Bank and with the approval of the Central Government, 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.

8 Reserve fund of the new banks

(1) Every new bank shall establish a reserve fund which subject to the provisions of sub-section (3) of section 7 and of sub-section (2) of this section, shall-

(a) on the appointed day, consist of such sum as the State Bank, with the approval of the Reserve Bank, may determine; and

(b) after the appointed day, consist of the sum aforesaid together with such further sums as may be transferred to the reserve fund by the new bank out of its annual net profits before declaring a dividend.

(2) The State Bank shall, as soon as may be after the determination, if any, of the amount of compensation by the Tribunal, in respect of an existing bank, consider whether any increase in, or reduction of, the reserve fund of the corresponding new bank, by way of adjustment, by transfer from, or to, any account, or towards provision for bad and doubtful debts, depreciation of any assets or contingencies, or for any other purpose, is necessary, and may, thereafter, with the approval of the Reserve Bank, direct that bank to so increase or reduce its reserve fund.

9 Transfer of shares of existing banks to state bank

On the constitution of a new bank, all shares in the capital of the corresponding banks, where such corresponding bank has a share capital, shall stand transferred to, and shall vest in, the State Bank, free of all trusts, liabilities and encumbrances.

10 Transfer of undertaking of existing banks to new banks

(1) Subject to the other provisions contained in this Act, when a new bank is constituted, the undertaking of the corresponding bank shall stand transferred to, and vest in, the new bank.

(2) The undertaking of the corresponding bank referred to in sub-section (1) shall be deemed to include all rights, powers, authorities and privileges and all property,

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\(^1\) Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 5 with effect from 01-12-2011, for the words “with the approval of the State Bank and the Reserve Bank”.

\(^2\) Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 5 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.
movable and immovable, including cash balances, reserve funds investments and all other interests and rights in, or arising out of, such property and all books, accounts and documents relating thereto as may be in the possession of that bank immediately before the appointed day, and shall also be deemed to include all debts, liabilities and obligations of whatever kind, then existing of that bank.

(3) Without prejudice to the other provisions contained in this Act, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature, subsisting or having effect immediately before the appointed day and to which any existing bank is a party, or which are in favour of that bank, shall be of full force and effect against or in favour of the corresponding new bank, as the case may be and may be enforced or acted upon as fully and effectually as if instead of the existing bank the corresponding new bank had been a party thereto or as if they had been issued in favour of the corresponding new bank.

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

11 Transfer of services of employees of existing banks

(1) Save as otherwise provided in this Act, every employee of an existing bank in the employment of that bank immediately before the appointed day, shall, on and from that day become an employee of the corresponding new bank and shall hold his office or service therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension, gratuity and other matters as he would have held the same on the appointed day, if the undertaking of the existing bank had not been transferred to and vested in the corresponding new bank and shall continue to do so unless and until his employment in that bank is terminated or until his remuneration or other terms and conditions of service are revised or altered by the corresponding new bank under, or in pursuance of, any law, or in accordance with any provision which, for the time being governs, his service:

Provided that nothing contained in this sub-section shall apply to an employee of the Bank of Patiala who holds a civil post under the State of Punjab unless, prior to the appointed day, he has intimated his consent to become an employee of the State Bank of Patiala by notice in writing, given to the Government of that State through the Bank of Patiala.

(2) Any person who, on the appointed day, is entitled to, or is in receipt of a pension or other superannuation of compassionate allowance or other benefit from an existing bank or from any provident, pension or other fund or from any authority administering such fund, shall be entitled to be paid by, and to receive from, the corresponding new bank or any provident, pension or other fund or from any authority administering such fund, the same pension, allowance or benefit, so long as he observes the conditions on which the pension, allowance or benefit was granted, and if any question arises whether he has so observed such conditions, the question shall be determined by the State Bank and its decision thereon shall be final.
(3) For the persons who immediately before the appointed day are the trustees of, or the members of any authority administering, any fund constituted for the benefit of the employees of an existing bank, there shall be substituted as trustees or members such persons as the State Bank may, by general or special order, specify.

(4) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or any other law or in any agreement for the time being in force, the transfer from an existing bank of the services of any officer or employee of that bank to the corresponding new bank in terms of this section shall not entitle any such officer or employee, to any compensation to which he would, but for this provision, have been entitled under any such law or agreement, and no claim in respect of such compensation shall be entertained by any Court, tribunal or other authority.

12 Special provision for transfer of foreign assets

(1) If, according to the laws of any country outside India, the provisions of this Act by themselves are not effective to transfer or vest any asset or liability situated in that country which forms part of the undertaking of an existing bank to, or in, the corresponding new bank, the affairs of the existing bank in relation to such asset or liability shall, on and from the appointed day, stand, entrusted to the managing director for the time being of the corresponding new bank and the managing director may exercise all powers and do all such acts and things as are exercised or done by the existing bank for the purpose of effectively winding up the affairs of that bank.

(2) The managing director of the corresponding new bank shall, in exercise of the powers conferred on him by sub-section (1), take all such steps as may be required by the laws of any such country outside India for the purpose of effecting such transfer or vesting, and in connection therewith the managing director may either himself or through any person authorised by him in this behalf, realise any asset and discharge any liability of the existing bank and transfer the net proceeds thereof to the corresponding new bank.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2) on and from the appointed day, no person shall make any claim or demand or take any proceeding in India against any existing bank or any person acting in its name or on its behalf except in so far as may be necessary for enforcing the provisions of this section or except in so far as it relates to any offence committed by such person.

(4) For the purposes of this section,--

(a) "corresponding new bank" means in relation to the Bank of Jaipur Limited, the institution constituted under section 3 as the State Bank of Bikaner,

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1 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
2 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
3 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
4 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
(b) "existing bank" includes the Bank of Jaipur Limited.

CHAPTER III

COMPENSATION

13 Compensation to shareholders of existing banks other than the Bank of Patiala

(1) Every person who and any State Government which immediately before the appointed day is registered as a holder of shares in the books of an existing bank shall be given by the State Bank such compensation in respect of the transfer to the State Bank of the shares in the capital of that bank as is determined in accordance with the principles contained in the First Schedule.

(2) The amount of compensation to be given in accordance with the principles contained in the First Schedule shall be determined in the first instance by the State Bank, in consultation with the Reserve Bank, and shall be offered by it to all those to whom compensation is payable under sub-section (1) in full satisfaction thereof.

(3) If the amount of compensation offered by the State Bank in terms of sub-section (2) is not acceptable to any shareholder of an existing bank, such share-holder may, before such date as may be notified by the Central Government in the Official Gazelle, request the Central Government, in writing, to have the matter referred to the Tribunal.

(4) If, before the date notified under sub-section (3), the Central Government receives request, in terms of that sub-section, from not less than one-fourth in number of the shareholders, holding not less than one-fourth in value of the paid-up share capital of the existing bank, the Central Government shall have the matter referred to the Tribunal for decision.

(5) If, before the date notified under sub-section (3) the Central Government does not receive requests as provided in that sub-section, the amount of compensation offered by the State Bank, and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (1) and shall be final and binding on all parties concerned.

(6) Subject to the provisions of the succeeding sub-sections, the amount of compensation shall be paid,—

(a) if the shareholder has not applied for shares of the corresponding new bank in accordance with the provisions of sub-section (7), by a cheque drawn on the State Bank; and

(b) If he has applied for share of the corresponding new bank in accordance with the provisions of that sub-section, in shares of the corresponding new bank to the extent of the value of such shares allotted to him and the balance by a cheque drawn on the State Bank.

(7) Any shareholder of an existing bank to whom compensation is payable under this section may, before the expiry of three months from the date of the final determination of the amount of such compensation under sub-section (5), or such extended period as the State Bank may think fit in any particular case to allow, apply to the State Bank for the transfer to him of shares in the capital of the corresponding new bank in lieu of such compensation or part thereof; and for the purposes of such transfer, the value of each share of the corresponding new bank shall be such as may be determined in this behalf by the State Bank with the approval of the Reserve Bank.
On receipt of an application under sub-section (7) the State Bank shall issue to the corresponding new bank a warrant, in the form specified in the rules made under this Act, directing it to transfer in favour of the person specified in the warrant such number of shares as may be allotted to the applicant in accordance with sub-sections (9) and (10) out of the shares in the capital of that bank standing allotted to the State Bank under the provisions of this Act, and the corresponding new bank shall be bound to comply with such warrant.

A shareholder of an existing bank who has applied for shares in the capital of the corresponding new bank shall be allotted—

(a) such number of shares, having such total face value as would bear to forty-five percent, of the issued capital of the corresponding new bank the same proportion as the paid-up value of his shares in the capital of the existing bank in respect of which he is paid compensation bears to the total paid-up capital of that bank; and

(b) if the total number of shares allotted under clause (a) to all applicants is less than forty-five per cent, of the issue capital of the corresponding new bank, such number of additional shares as the State Bank may deem fit having regard to the provisions of this Act, the circumstances of the case and the desirability of securing as wide a distribution of shares among as large a number of shareholders as possible.

Explanation.—For the purpose of determining the number of shares under this sub-section fractions of a share shall be disregarded.

Notwithstanding anything contained in sub-section (9) an allotment of shares under that sub-section shall not be made in such a manner that the State Bank holds at any time less than fifty-five percent, of the issued capital of the corresponding new bank.

A warrant issued by the State Bank under sub-section (8) shall not be liable to duty under the Indian Stamp Act, 1899.

Nothing contained in this section shall affect the rights inter se between the holder of any share in an existing 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 State Bank.

For the purposes of this section,—

(a) "corresponding new bank" does not include the State Bank of Patiala and means in relation to the Bank of Jaipur Limited the institution constituted under section 3 as the State Bank of Bikaner;

(b) "existing bank" includes the Bank of Jaipur Limited, but does not include the Bank of Patiala.

Compensation payable by the State Bank in respect of the Bank of Patiala, and the Hyderabad Bank

The State Government of Punjab in respect of the Bank of Patiala

1 Substituted for sub-section (13) by the State Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962), Section 3 with effect from 1-1-1963.

2 Words "the Saurashtra Bank" omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
Reserve Bank in respect of the Hyderabad Bank, shall be given, by reason of the provisions of this Act or of the amendments contained in Part V or Part VII of the Third Schedule, such compensation by the State Bank as is determined in accordance with the principles contained in the First Schedule.

(2) The amount of compensation to be given in accordance with the principles contained in the First Schedule shall be determined in the first instance by the State Bank, and shall be offered by it to the State Government of Punjab, or the Reserve Bank, as the case may be, in full satisfaction of the compensation payable under subsection (1):

Provided that in determining the amount of compensation to be offered to the State Government of Punjab, the State Bank shall consult the Reserve Bank.

(3) If the amount of compensation offered by the State Bank in terms of sub-section (2) is not acceptable to the State Government of Punjab, or the Reserve Bank as the case may be, the State Government concerned or the Reserve Bank, may, before such date as may be notified by the Central Government in the Official Gazette, request the Central Government to have the matter referred to the Tribunal for decision, and where any such request is received, the Central Government shall refer the matter accordingly.

(4) If, before the date notified under sub-section (3) the State Government of Punjab, or the Reserve Bank as the case may be has not made any such request, the amount of compensation offered by the State Bank, and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under subsection (1) and shall be final and binding on all parties concerned.

(5) The amount of compensation shall be paid by a cheque drawn on the Reserve Bank.

15 Constitution of the Tribunal

(1) The Central Government may for the purposes of this Act constitute a Tribunal which shall consist of a Chairman and two other members.

(2) The Chairman shall be a person who is, or has been, a Judge of a High Court or has been a Judge of the Supreme Court and of the two other members, one, shall be a person, who, in the opinion of the Central Government, has had experience of commercial banking and the other shall be a person who is a chartered accountant within the meaning of the Chartered Accountants Act, 1949.

(3) If, for any reason, a vacancy occurs in the office of the Chairman or any other member of the Tribunal, the Central Government shall fill the vacancy by appointing another person thereto in accordance with the provisions of sub-section (2) and any proceeding may be continued before the Tribunal so reconstituted from the stage at

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1 Words “the State Government of Gujarat in respect of the Saurashtra Bank” omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
2 Words “the State Government of Gujarat” omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
3 Words “or the State Government of Gujarat” omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
4 Words “the State Government of Gujarat” omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
5 Words “the State Government of Gujarat” omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
which the vacancy occurred.

(4) The Tribunal may for the purpose of determining any compensation payable under this Act, choose one or more persons having special knowledge or experience of any relevant matter to assist it in the determination of such compensation.

16 Tribunal to have powers of a Civil Court

(1) The Tribunal shall have the powers of a Civil Court while trying a suit under the Code of Civil Procedure, 1908, in respect of the following matters, namely:--

(a) summoning and enforcing the attendance of any person and examining him on oath.
(b) requiring the discovery and production of documents;
(c) receiving evidence on affidavits; and
(d) issuing commissions for the examination of witnesses or documents.

(2) Notwithstanding anything contained in sub-section (1) or in any other law for the time being in force, the Tribunal shall not compel the Reserve Bank, the State Bank or any subsidiary bank--

(a) to produce any books of account or other documents which the Reserve Bank, the State Bank or the subsidiary bank claims to be of a confidential nature;
(b) to make any such books or document part of the record of the proceedings before the Tribunal; or
(c) to give inspection of any such books or documents to any party before it or to any other person.

17 Procedure of the Tribunal

(1) The Tribunal shall have power to regulate its own procedure.
(2) The Tribunal may hold the whole or any part of its enquiry in camera.
(3) Any clerical or arithmetical mistake in any order of the Tribunal or any error arising therein from any accidental slip or omission may at any time be corrected by the Tribunal either of its own motion or on the application of any of the parties.

CHAPTER IV

SHARES OF THE SUBSIDIARY BANKS

18 Transferability of shares

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

(2) Nothing contained in sub-section (1) shall entitle the State Bank to transfer any shares held by it in any subsidiary bank if such transfer will result in reducing the shares held by it to less than 1[fifty-one per cent of the issued capital consisting of equity shares] of that subsidiary bank.

1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 8 with effect from 09-07-2007 for the words “fifty-five per cent of the issued capital”. 
18A 1[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.]

19 2[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 be-

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1 Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 9 with effect from 09-07-2007
2 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 10 with effect from 09-07-2007. The section before its amendment was “19 Restriction on individual holdings
(1) No person shall be registered as a shareholder in respect of any shares in a subsidiary bank held by him, whether in his own name or jointly with any other person, in excess of two hundred shares, or be entitled to payment of any dividend on the excess shares held by him, or to exercise any of the rights of a shareholder in respect of such excess shares otherwise than for the purpose of selling them:--
Provided that nothing contained in this sub-section shall apply to-
(a) the State Bank;
(b) a State Government;
(c) a Corporation;
(d) an insurer as defined in the Insurance Act, 1938
(e) a local authority.
(f) a co-operative society;
(g) a trustee of a public or private religious or charitable trust;
(h) a shareholder of an existing bank who is allotted any shares under sub-section (9) of section 13;
(2) Notwithstanding anything contained in sub-section (1) no person referred to in the proviso to that sub-section, other than the State Bank, shall be entitled to exercise voting rights in respect of any shares held by such person [in excess of one per cent.] of the issued capital of the subsidiary bank concerned.”
fore 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.]

20 Share to be approved securities
Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of a subsidiary bank shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882, and also to be approved securities for the purposes of Insurance Act 1938 1[……].

21 Register of shareholders
2[(1)] Every subsidiary bank shall keep at its head office a register, in one or more books, of the shareholders and shall enter therein the following particulars so far as they may be available:--
(i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;
(ii) the date on which each person is so entered as a shareholder;
(iii) the date on which any person ceases to be a shareholder; and
(iv) such other particulars as may be prescribed.
3[Provided that nothing in this section shall apply to the shares held with a depository.] 4[(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, 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.]

21A [Register of beneficial owners
The register of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 shall be deemed to be a register of shareholders for the purposes of this Act.]

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1 Omitted the words “and the Banking Regulation Act, 1949” by Act 4 of 2013, Schedule (w.e.f 18.01.2013).
2 Number inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 11 with effect from 09-07-2007
3 Inserted by Depositories Related Laws (Amendment) Act, 1997 (8 of 1997) Section 6 (w.e.f. 15-1-97).
4 Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 11 with effect from 09-07-2007
5 Inserted by Depositories Related Laws (Amendment) Act, 1997 (8 of 1997) Section 7 (w.e.f. 15-1-97).
22 Trusts not to be entered on the register

[No notice of any trust, express, implied or constructive, shall be entered on the register of shareholders of a subsidiary bank or be receivable by it in respect of its shares.

Provided that nothing in this section shall apply to a depository in respect of shares held by it as a registered owner on behalf of the beneficial owners.

Explanation.-- For the purposes of section 21 section 21A and this section, the expression "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (a), (e) and (j) of sub-section (1) of section 2 of the Depositories Act, 1996

CHAPTER V
MANAGEMENT OF SUBSIDIARY BANKS

23 Certain officers to vacate office

Every person holding office as chairman, director, member of the Board of Management (including a member of a local or advisory committee), managing director, general manager, manager (other than manager of a branch), deputy managing director, deputy general manager, assistant general manager or adviser, as the case may be, in an existing bank (other than the Bank of Patiala), [and the Hyderabad 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 corresponding new bank, [or the Hyderabad Bank], as the case may be, may, with the approval of the State Bank, grant to him, having regard to what he would have received it this Act had not been passed and if his employment had ceased on the appointed day in the ordinary course:

Provided that nothing in this section shall be deemed to prevent any person who has so vacated his office in any of the said banks from being re-nominated or re-appointed to any office in a subsidiary bank in accordance with the provisions of this Act.

24 Management

(1) The State Bank may, from time to time, give directions and instructions to a subsidiary 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.

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1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 12 with effect from 09-07-2007 for the words “Notwithstanding anything contained in section 19, no notice of any trust,”.
2 Inserted by Depositories Related Laws (Amendment) Act, 1997 (8 of 1997) Section 8 (w.e.f. 15-1-97).
3 Substituted for the words “the Hyderabad Bank and the Saurashtra Bank” by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
4 Substituted for the words “the Hyderabad Bank or the Saurashtra Bank” by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
(2) Subject to any such directions and instructions, the general superintendence and 
conduct of the affairs and business of a subsidiary bank shall, as from the appointed day, 
vest in a Board of Directors who may, with the assistance of the \(^{1}\)managing director], 
exercise all powers and do all acts and things as may be exercised or done by that bank. 
(3) The Board of Directors of a subsidiary bank shall, in discharging its functions under 
this Act, act on business principles, regard being had to public interest.

**25 Composition of the board of directors**

(1) Subject to the provisions of sub-section (2) the Board of Directors of a subsidiary 
bank shall consist of the following:

\(^2\)[(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, \(^3\)[in consultation 
with the Reserve Bank and with the approval of the Central Government;]] 
\(^4\)[(aa) the managing director appointed under sub-section (1) of section 29 or under 
section 32;] 
\(^5\)[(b) one director, possessing necessary expertise and experience in the matters rela-
ting to regulation or supervision of commercial banks, \(^6\)[to be nominated by the Central 
Government on the recommendation of the Reserve Bank;]] 
(c) not more than five directors to be nominated by the State Bank of whom not more 
than three shall be officers of that bank: 
\(^7\)[Provided that any nomination of a director made by the State Bank under this clause 
shall, except in so far as it relates to an officer of that bank, be in consultation with the 
Central Government.] 
\(^8\)(ca) one director from among the employees of the subsidiary bank, who are 
workmen, to be appointed by the Central Government in the manner provided in the 
rules made under this Act:
(cb) one director, from among such of the employees of the subsidiary bank as are not 
workmen, to be appointed by the Central Government in the manner provided in rules 
made under this Act.]

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1 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
2 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 13 with effect from 09-07-2007. The clause before its amendment was “(a) the chairman for the time being of the State Bank, ex officio;”
3 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 6 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.
5 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 13 with effect from 09-07-2007. The clause before its amendment was “(b) an officer of the Reserve Bank, to be nominated by that Bank:”
6 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 6 with effect from 01-12-2011, for the words “to be nominated by the Reserve Bank”. 
7 Inserted by Banking Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988 (66 of 1988), Section 18 with effect from 30-12-88.
[(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.]

(e) a director, if any, to be nominated by the Central Government 2 [...].

(2) Notwithstanding anything contained in clause (d) of sub-section (1), on the first constitution of the Board of Directors, the directors referred to in the said clause shall be appointed by the State Bank and the directors so appointed shall, for the purposes of this Act, be deemed to have been elected within the meaning of the said clause.

(3) [...].

(4) An officer of 4 [...] the State Bank may be nominated as a director of a subsidiary bank by virtue of his office.

(5) The directors nominated under sub-section (2) shall retire at the expiry of one year after the appointed day.

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1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 13 with effect from 09-07-2007. The clause before its amendment was “(d) two directors to be elected in the prescribed manner by the shareholders, other than the State Bank:

Provided that if the total amount of the holdings of all such shareholders registered in the books of the subsidiary bank three months before the date fixed for election is below five per cent of the total issued capital, or if there are no shareholders other than the State Bank registered on the books of the subsidiary bank, the directors to be elected by the shareholders 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;”

2 Words “in consultation with the State Bank” Omitted, by Banking Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988 (66 of 1988), Section 18 with effect from 30-12-88.

3 Deleted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 13 with effect from 09-07-2007. The clause before its deletion was “(3) If, for any reason, a director of a subsidiary bank nominated under clause (b) of sub-section (1) is unable to exercise his functions or to discharge his duties as such director, the Reserve Bank may nominate any of its officers to exercise all the functions and to discharge all the duties of such director whenever be is so unable 10 exercise his functions or discharge his duties, and the officer so nominated shall for all purposes of this Act be deemed to be a director of the subsidiary bank.”

4 Deleted the word “the Reserve Bank or” by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 13 with effect from 09-07-2007.
(6) Any nomination or appointment of a director made by the State Bank under this Act shall, except in so far as it relates to an Officer of that bank, be 1[in consultation with the Central Government].

25A 2[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.

25B 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

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1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 6 with effect from 01-12-2011, for the words “in consultation with the Reserve Bank”.
2 Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 14 with effect from 09-07-2007
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.]

26 Term of office of directors

(1) A director of a subsidiary bank \(^1\) nominated under clause (b) or clause (c) or clause (e) of sub-section (1) of section 25 or appointed under clause (ca) or clause (cb) of that sub-section, shall hold office during the pleasure of the authority \(^2\) nominating or appointing him.

\(^2\) (2) Subject to the provisions contained in section 25 a director elected under clause (d) of sub-section (1) of that section shall hold office for three years \(^4\) [...], and shall be eligible for re-election:

Provided that no such director shall hold office continuously for a period exceeding six years.

(2A) Subject to the provisions contained in section 25 and in sub-section (1), a director nominated under clause (c) and not being an officer of the State Bank or a director appointed under clause (ca) or clause (cb) or a director, not being an officer of the Central Government, nominated under clause (e) of sub-section (1) of section 25 shall hold office for such term not exceeding three years, as the Central Government may specify \(^5\) [...], and shall be eligible for re-nomination or re-appointment, as the case may be:

Provided that no such director shall hold office continuously for a period exceeding six years.)

\(^6\) [...]

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\(^1\) Substituted for portion beginning with words "if nominated " and ending with "that sub-section" by Banking Public Financial Instructions and Negotiable Instruments Laws (Amendment) Act (66 of 1988) Section 19 with effect from . 30-12-88.


\(^3\) Substituted, by Banking Public Financial Instructions and Negotiable Instruments Laws (Amendment) Act, 1988 (66 of 1988) Section 19 with effect from . 30-12-88..

\(^4\) The words "and thereafter until his successor is duly elected" omitted by Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006 (45 of 2006).

\(^5\) The words "and thereafter until his successor shall have been duly appointed" omitted by the State Bank of India (Amendment) Act 2010 (27 of 2010), section 33 (w.e.f 15-09-2010).

\(^6\) Sub-sec. (3) omitted, by Banking Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988 (66 of 1988) Section 19 with effect from . 30-12-88..
27 Disqualification for directorship

(1) A person shall be disqualified to be a director of a subsidiary 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 is a salaried officer of Government; or

(c) he has been removed or dismissed from the service of Government or a local authority or a corporation or a company in which not less than fifty-one per cent, of the paid-up share capital is held by Government; or

(d) he holds any office of profit under the subsidiary banks [other than the office of the managing director]; or

[(da) in the case of a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 25,--

(i) he is not serving in the subsidiary bank or has not been serving in it for a continuous period of at least five years; and

(ii) he is of such age that there is a likelihood of his attaining the age of superannuation during his term of office as a director; or]

(e) he is, or at any time has been, adjudicated an insolvent or has suspended payment of his debts or has compounded with his creditors; or

(f) he is of unsound mind and stands so declared by a competent Court; or

(g) he is, or has been, convicted of any offence which, in the opinion of the Central Government involves moral turpitude; or

(h) in the case of an elected director, he is not registered as a holder of unencumbered shares in the subsidiary bank of a nominal value of at least one thousand rupees:

Provided that the disqualification mentioned in clause (b) shall not apply to an officer of the Central Government, nominated as a director under clause (e) of sub-section (1) of section 25;

[Provided further that in the case of a director appointed under clause (ca) or Clause (cb) of sub-section (1) of section 25 the disqualification mentioned in clause (d) shall not operate:

Provided also that] in the case of a director deemed to have been elected on the first constitution of the Board of Director, the disqualification mentioned in clause (h) shall not operate for a period of six months from his becoming such director.

(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 of a subsidiary bank at the same time.

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(3) The nomination or election, 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 nomination or election as such director, be 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, be shall cease to be a director as from the date of such election or nomination, as the case may be.

(4) Nothing contained in clause (d) of sub-section (1) shall be deemed to preclude any person from being a director of a subsidiary bank by reason only of his being a legal or technical adviser of that bank.

(5) In this section,--

(a) "banking company" has the same meaning as in the [Banking Regulation Act, 1949];
(b) "manager" means the chief executive officer, by whatever name called of a banking company:
(c) "private company" has the same meaning as in the Companies Act, 1956.

28 Vacation of office of directors
If a director of a subsidiary bank-
(a) is, or has become, subject to any of the disqualification mentioned in section 27; or
(b) resigns his office by giving notice in writing under his hand, in the case of a nominated director to the State Bank, and in the case of an elected director to the Board of Directors of the subsidiary bank, and his resignation is accepted, or
(c) is absent without leave of the Board of Directors for more than three consecutive meetings thereof:
his seat on the Board of Directors shall thereupon become vacant:
Provided that nothing in Clause (b) or Clause (c) shall apply to a director referred to in clause (b) of sub-section (1) of section 25 or to a director, being an officer of the State Bank, nominated under clause (c) or to a director, being an officer of the Central Government nominated under clause (e) of that sub-section.

29 [Managing Director]
(1) The State Bank shall, after consulting the Board of Directors of a subsidiary bank, [and the Reserve Bank, and with the approval of the Central Government], appoint a [managing director] for that subsidiary bank;

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1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 15 with effect from 09-07-2007 for the words “Banking Companies Act, 1949”.
2 Substituted for the words “general manager” by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
3 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 7 with effect from 01-12-2011, for the words “and with the approval of the Reserve Bank”.
4 Substituted for the words “general manager” by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
Provided that in the case of the first appointment of the managing director no such consultation with the Board of Directors of the subsidiary bank shall be necessary.

(2) Subject to the general control of the Board of Directors, the day-to-day administration and management of the affairs of a subsidiary bank shall vest in the managing director and the managing director shall exercise such other powers and perform such other duties as may be delegated to him by the Board of Directors.

(3) The managing director of a subsidiary bank-

(a) shall devote his whole time to the affairs of that bank:

Provided that the managing director of the subsidiary bank may, with the approval of the State Bank and the Central Government in consultation with the Reserve Bank, be a director of any other institution;

(b) shall hold office for such term not exceeding four years and subject to such conditions as the State Bank may, in consultation with the Reserve Bank and with the approval of the Central Government, specify at the time of his appointment:

(c) shall receive such salary and allowances as may be determined by the State Bank in consultation with the Reserve Bank and with the approval of the Central Government.

(4) The managing director vacating his office shall be eligible for reappointment.

(5) The State Bank may, in consultation with the Reserve Bank and with the approval of the Central Government, for any sufficient reason, remove from office the managing director of a subsidiary bank:

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

1 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
2 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
3 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
4 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
5 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
6 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 7 with effect from 01-12-2011, for the words “with the approval of the State Bank and the Reserve Bank”.
7 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 7 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.
8 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 7 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.
9 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
10 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 7 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.
11 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
12 Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
30 Remuneration of directors

A director of a subsidiary bank 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 subsidiary bank such fees and allowances as may be prescribed;

Provided that no fee shall be payable to the chairman of the State Bank [1][or the managing director of the subsidiary bank] or any other director who is a whole time officer of the Central Government or the Reserve Bank or the State Bank.

31 Removal from office of director

(1) The State Bank may, [2][in consultation with the Reserve Bank and with the approval of the Central Government], for any sufficient reason, remove from office a director nominated under clause (c) of sub-section (1) of section 25 and not being an officer of the State Bank.

(2) The Central Government may, in consultation with the State Bank, for any sufficient reason, remove from office a director appointed under clause (ca) or clause (cb) or nominated under clause (e) of sub-section (1) of section 25 and not being an officer of the Central Government.

(3) Any director elected under clause (d) of sub-section (1) of section 25 may be removed from office-

(a) by the State Bank, [4][in consultation with the Reserve Bank and with the approval of the Central Government], if at the time of the removal there are no shareholders other than the State Bank registered in the books, of the subsidiary bank concerned;

(b) by a resolution passed by a majority of the votes of such shareholders holding in the aggregate not less than one-half of the share capital held by all such shareholders;

Provided that if the total amount of the holdings of all shareholders, other than the State Bank, registered in the books of the subsidiary bank, on the date of the resolution, is below five per cent of the total issued capital, the resolution shall not have effect unless confirmed by the State Bank.

(4) No director shall be removed from office under sub-section (1) or sub-section (2) unless he has been given an opportunity of showing cause against such removal.

32 Appointment of another person for discharging the duties of [5][managing director] during his absence

If the [1][managing director] of a subsidiary bank is rendered incapable of discharging his

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1 Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 25 with effect from 1-7-1974.
2 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 8 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.
3 Substituted for the words, brackets and letter “nominated under clause (e)” by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 26 with effect from 1-7-1974.
4 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 8 with effect from 01-12-2011, for the words “with the approval of the Reserve Bank”.
5 Substituted for the words “general manager” by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 21 with effect from 1-7-1974.
duties by reason of infirmity or otherwise or is absent on leave or otherwise in circumstances not involving the vacation of his office, the State Bank may appoint another person to officiate for the 3[managing director] until the date on which the 3[managing director] resumes duty.

33 Casual vacancies among directors

(1) Where any vacancy occurs before the expiry of the term of office of a director of a subsidiary bank 4[other than the managing director or a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 25 the vacancy shall be filled-
(a) in the case of a director nominated under clause (c) of sub-section (1) of section 25 not being an officer of the State Bank, by nomination by the State Bank;
(b) in the case of a director elected under clause (d) of sub-section (1) of section 25 by election or where the proviso to that clause is applicable, by nomination by the State Bank.

Provided that where the duration of the vacancy in the office of an elected director is likely to be less than six months, the vacancy may be filled by the remaining directors by co-opting a person from amongst the shareholders entitled to elect a director under clause (d) of sub-section (1) of section 25 who is not disqualified under section 27;

(c) in the case of a director nominated under clause (e) of sub-section (1) of section 25 not being an officer of the Central Government, by nomination by the Government in consultation with the State Bank.

(2) A person nominated or elected or co-opted, as the case may be 5[under sub-section (1))] shall hold office for the unexpired portion of the term of his predecessor.

6[(3) Where any vacancy occurs before the expiry of the term of office of a director appointed under clause (ca) or clause (ab) of sub-section (1) of section 25, such vacancy shall be filled in accordance with the said clause (ca) or, as the case may be, clause (cb), and the director so appointed shall hold office for the period specified under sub-section (2 A) of section 26.]

34 Meetings of the board of directors

7[(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 partici-
pation of the directors of the Board through video-conferencing or such other electronic means, as may be prescribed, which are capable of recording and recognising the participation of the directors and the proceedings of such meetings are capable of being recorded and stored:

Provided that the Central Government may in consultation with the Reserve Bank, by a notification in the Official Gazette, specify the powers which shall not be exercised in a meeting of the Board of Directors held through video-conferencing or such other electronic means.

(2) [The Chairman of the Board of Directors of a subsidiary bank] shall preside at every meeting of the Board of Directors of a subsidiary bank and in his absence such one of the directors as may generally or in relation to any particular meeting be authorised by the chairman in this behalf shall preside; and in the absence of the chairman and also failing such authorisation, the directors of the subsidiary bank present at the meeting shall elect one from among themselves to preside at the meeting.

Explanation.-- For the purposes of this sub-section, "absence from a meeting" means non-attendance for any reason whatsoever at the meeting or any part of the meeting during which any business is transacted.

(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.

(4) Where any of the directors specified in clauses (a) and (b) of sub-section (1) of section 25 or any of the directors, being an officer of the State Bank specified in clause (c) of that sub-section is unable to attend any meeting of the Board of Directors of a subsidiary bank, and the State Bank or any other such director as may be present at the meeting considers that the State Bank would not be adequately or effectively represented at such meeting by reason of the absence of any such director, the State Bank or the director present may give notice in writing to that subsidiary bank--

(i) that the meeting should be adjourned to such date as may be indicated in the notice; or

(ii) that any matter, action, step or proceeding proposed to be considered taken or carried out at that meeting, should not be so considered, taken or carried out; or

(iii) that no decision should be taken at that meeting on any such matter, action, step or proceeding;

and that subsidiary bank and its Board of Directors shall be bound to comply with such notice and act accordingly.

(5) A director of a subsidiary bank who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal, entered into or proposed to be entered into or made by or on behalf of the subsidiary bank shall, at the earliest possible date notify the State Bank and the Board of Directors of the subsidiary bank of his interest in the matter so that the Board of Directors may take such action as it may think fit.

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1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 16 with effect from 09-07-2007 for the words “The chairman of the State Bank”.

2 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 16 with effect from 09-07-2007. The sub-section before its amendment was “(3) All questions at a meeting of the Board of Directors of a subsidiary bank shall be decided by a majority of the votes of the directors present, and in case of equality of votes, the person presiding at the meeting shall have a second or casting vote.”
opportunity, disclose the nature of his interest to the Board of Directors of that bank, and any such director shall not be present at any meeting of the Board of Directors 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, be shall not vote on any such contract, loan, arrangement or proposal:

1[Provided that nothing contained in this sub-section shall apply to such director by reason only of his being--

(i) a shareholder (other than a director) holding not more than two per cent of the paid-up capital in any public company as defined in the Companies Act, 1956, or any corporation established by or under any law for the time being in force in India or any co-operative society, with which or to which the subsidiary bank has entered into or made, or proposes to enter into or make, a contract, loan, arrangement or proposal; or

(ii) a director of the State Bank or of any other subsidiary bank being a director under clause (a) or clause (e) of sub-section (1) of section 25 or being an officer 2[of the State Bank nominated under clause (c)] of that sub-section; 3[or]

4[(iii) an officer or other employee of the State Bank, or any other institution, if he is the managing director appointed under sub-section (1) of section 29 or under section 32; or

(iv) an officer or other employee of the subsidiary bank if he is a director appointed under clause (ca) or clause (cb) of sub-section (1) of the section 25.]

(6) A copy of the minutes of every meeting of the Board of Directors of a subsidiary bank, together with copies of all connected papers, shall be forwarded to the State Bank 5[...] as soon as possible.

35 Executive committee and other committees

(1) There shall be an executive committee in respect of a subsidiary bank consisting of such directors as may be prescribed:

Provided that if any such director being an officer of the State Bank and nominated by that bank under clause (c) of sub-section (1) of section 25, is for any reason unable to exercise his functions or to discharge his duties in relation to the executive committee, the State Bank may depute any of its officers to exercise all the functions and to discharge all the duties of such director in relation to the executive committee whenever such director is so unable to exercise his functions or discharge his duties and the officer so deputed shall, for all purposes of this Act, in so far as it applies to the executive committee, be deemed to be a director of the subsidiary bank.

(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.

1Substituted for former provision by the State Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962), Section 3(vii) 14-12-1962.

2 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 16 with effect from 09-07-2007 for the words “of the Reserve Bank or the State Bank nominated under clause (b) or clause (c)”.

3 Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 28 with effect from 1-7-1974.


5 Omitted the words “and the Reserve Bank” by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 16 with effect from 09-07-2007.
A copy of the minutes of every meeting of the executive committee of a subsidiary bank shall be forwarded to the State Bank and be laid before the Board of Directors of the subsidiary bank as soon as possible after the meeting.

Without prejudice to the powers of the executive committee, and subject to any regulations made under this Act, the Board of Directors of a subsidiary bank may constitute such and so many other committees, whether consisting wholly of the directors or wholly of other persons, or partly of the directors and partly of other persons, as it deems fit, to exercise such powers and perform such duties as may, subject to such conditions, if any, as the Board of Directors may impose, be delegated to them by the Board of Directors.

35A 1[Supersession of Board of Directors in certain cases–

(1) 2[Where the Central Government, on the recommendation of the Reserve Bank and in consultation with 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, 3[the Central Government 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) 4[The Central Government in consultation with 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) 5[The Central Government] 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-

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1Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 17 with effect from 09-07-2007

2Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “Where the Reserve Bank, on the recommendation of the State Bank”.

3Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “the Reserve Bank may”.

4Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “The Reserve Bank may”.

5Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “The Reserve Bank”.

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ed, be exercised and discharged by the Administrator appointed by 1[the Central Government] under sub-section (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) 2[The Central Government in consultation with 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 3[the Central Government].

(7) The salary and allowances payable to the Administrator and the members of the Committee constituted under sub-section (5) by 4[the Central Government] shall be such as may be specified by 5[the Central Government] 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.]

CHAPTER VI
BUSINESS OF SUBSIDIARY BANKS

36 Subsidiary Bank to act as agent of the State Bank

(1) A subsidiary bank shall, if so required by the State Bank, act as agent of the State Bank at any place in India 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 the state Bank.

(2) The terms and conditions on which any such agency business shall be carried on by

1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “the Reserve Bank”.

2 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “The Reserve Bank may”.

3 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “the Reserve Bank”.

4 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “the Reserve Bank”.

5 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 9 with effect from 01-12-2011, for the words “the Reserve Bank”.

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the subsidiary bank on behalf of the State Bank shall be such as may be determined by
the State Bank, after consultation with the subsidiary bank and with the approval of the
Reserve Bank,

1[...]

36A 2(Subsidiary Bank to act as agent of the Reserve Bank)

(1) A subsidiary bank shall, if so required by the Reserve Bank, act as agent of the
Reserve Bank at all places in India, where it has a branch, 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 subsidiary bank on behalf of the Reserve Bank shall be such as may be agreed upon.

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

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

37 Other business which a subsidiary bank may transact

3[(1) Subject to the other provisions contained in this Act, a subsidiary bank may carry
on and transact the business of banking as defined in clause (b) of section 5 of the
Banking Regulation Act, 1949 , and may engage in one or more of the other forms of
business specified in sub-section (1) of section 6 of that Act.]

(2) The Central Government may, after consultation with the Reserve Bank and the
State Bank, by order in writing-
(a) authorise subsidiary 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 a subsidiary bank from carrying on or transacting any form of business
which, but for this clause, it is lawful for the subsidiary bank to engage in.

(3) Save as otherwise provided in sub-section (2), a subsidiary bank shall not engage in
any form of business other than that referred to in sub-section (1).

1 Sub-sections (3) and (4) omitted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of
1962), Section 3.(viii) with effect from . 14-12-62.


3 Substituted for sub-section(1) by the State Bank Laws (Amendment) Act, 1973 (43 of 1973), Section 29 with
effect from 31-12-1973.
38 Acquisition of business of other banks

(1) A subsidiary bank may, with the approval of the State Bank, and shall, if the Reserve Bank, in consultation with the State Bank, so directs, enter into negotiations for acquiring the business, including the assets and liabilities of any other banking institution.

(2) The terms and conditions relating to such acquisition, if agreed upon by the Board of Directors of the subsidiary bank concerned and the directorate or management of the banking institution concerned and approved by the Reserve Bank, shall be submitted to the Central Government for its sanction and that Government may by order in writing (hereafter in this section referred to as the order of sanction) accord its sanction thereto.

(3) Notwithstanding anything contained in this Act or any other law for the time being in force or any instrument regulating the constitution of the banking institution concerned, the terms and conditions as sanctioned by the Central Government shall come into effect on the date specified by the Central Government in this behalf in the order of sanction and be binding upon the subsidiary bank and the banking institution concerned as well as upon the shareholders (or, as the case may be, proprietors) and creditors of that banking institution.

(4) If for any reason the terms and conditions cannot come into effect on the date specified in the order of sanction, the Central Government may fix another suitable date for that purpose.

(5) On the date on which the terms and conditions as aforesaid come into effect, the business and the assets and liabilities of the banking institution concerned as covered by the acquisition shall, by virtue and in accordance with the provisions, of the order of sanction stand transferred to, and become respectively the business and the assets and liabilities of the subsidiary bank concerned.

(6) The consideration for the acquisition of the business and the assets and liabilities of any banking institution under this section may, if so agreed upon, be paid either in cash or by allotment of shares in the capital of the subsidiary bank concerned or partly in cash and partly by allotment of shares, and the subsidiary bank may, for the purpose of any such allotment, increase, subject to the other provisions contained in this Act relating to the increase of capital, the capital of the subsidiary bank by the issue of such number of shares as may be determined by the subsidiary bank.

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

(8) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law or in any agreement for the time being in force on the acquisition of the business and the assets and liabilities of any banking institution under this section, no officer or other employee of that banking institution shall be entitled to any compensation to which he may be entitled under that act or that other law or that agreement, and no claim in respect of such compensation shall be entertained by any Court, tribunal or other authority if on his having accepted in writing an offer of employment by the subsidiary bank concerned on the terms and conditions proposed
by it he has been employed in accordance with such terms and conditions.

(9) The Central Government may, if it considers necessary or expedient in the case of any banking institution in relation to which an order of sanction has been made under this section, appoint, whether before or after the coming into effect of the terms and conditions relating to the business and the assets and liabilities of that banking institution, a suitable person to take over the management of that banking institution for the purposes of winding up its affairs and distributing its assets, and the expenditure incurred in connection with such management (including the remuneration of the person so appointed and his staff, if any) shall be paid out of the assets of the banking institution or by the subsidiary bank concerned as the Central Government may direct.

(10) Simultaneously with the appointment of a suitable person, under sub-section (9) or immediately thereafter, the Central Government shall issue directions to be followed by that person in the management of that banking institution for the purposes aforesaid and thereupon--

(a) the provisions of the Companies Act, 1956 or the [Banking Regulation Act, 1949] or any other law for the time being in force or any instrument having effect by virtue of any such Act or law in so far as they are inconsistent with such directions shall cease to apply to, or in relation to that banking institution:

(b) all persons in charge of the management, including any person holding office as manager or director, of the banking institution, immediately before the issue of such directions, shall be deemed to have vacated their offices as such; and

(c) the person appointed to take over the management of the banking institution shall in accordance with those directions, take all such steps as may be necessary to facilitate the winding up of its affairs and the distribution of its assets.

(11) The Central Government, when satisfied that nothing further remains to be done in order to wind up the affairs of the banking institution concerned may, by order in writing, direct that as from such date as may be specified therein, the banking institution shall stand dissolved and thereupon any such direction shall have effect notwithstanding anything to the contrary contained in any other law.

(12) No action under this section shall be questioned on the ground merely of any defect in the constitution of any banking institution in relation to which such action has been taken or in the constitution of its Board of Directors or in the appointment of any persons entrusted with the management of its affairs.

(13) The provisions of this section shall apply in relation to the acquisition by one subsidiary bank of the business including the assets and liabilities of another subsidiary bank as they apply in relation to the acquisition by a subsidiary bank of the business including the assets and liabilities of any other banking institution.

(14) In this section, "banking institution" includes any individual or any association of individuals (whether incorporated or not. or whether a department of Government or a separate institution), carrying on the business of banking.

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1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 18 with effect from 09-07-2007 for the words “Banking Companies Act, 1949”.

40
38A 1[Arrangement with subsidiary banks on appointment of directors to prevail]

(1) Where any arrangement entered into by a subsidiary bank with a company provides for the appointment by the subsidiary bank of one or more Directors of such company, such provision and any appointment of Directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the company and any provision regarding share qualification, age limit, number of directorships, removal from office of Directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any Director appointed by the subsidiary bank in pursuance of the arrangement as aforesaid.

(2) Any Director appointed as aforesaid shall--

(a) hold office during the pleasure of the subsidiary bank and may be removed or substituted by any person by order in writing of the subsidiary bank;

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

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of Directors liable to such retirement.]

CHAPTER VII

ACCOUNTS AND AUDIT

39 Closing of annual accounts

A subsidiary bank shall cause its books to be closed and balanced 2[as] on the thirty-first day of 3[March] 4(or such other date in each year as the Central Government may, by notification in the official Gazette, specify).

5[Provided that with a view to facilitating the transaction from one period of accounting to another period of accounting under this section, the Central Government may, by order published in the Official Gazette, make such provisions as it considers necessary or expedient for the closing and balancing of, or for other matters relating to, the books in respect of the concerned years.]

40 Disposal of profits

(1) After making provision for bad and doubtful debts, depreciation in assets,
equalisation of dividends, contribution to staff and superannuation funds and for all
other matters for which provision is necessary by or under this Act or which are usually
provided for by banking companies, a subsidiary bank may, out of its net profits, declare
a dividend.

(2) The rate of dividend shall be determined by the Board of Directors of the subsidiary
bank concerned.

(3) Nothing in this section shall be deemed to preclude the payment of interim
dividends in such manner and to such extent as may be prescribed.

40A [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 205C of the Companies Act, 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 205C of the Companies Act, 1956.]

41 Audit

(1) Subject to the provisions of section 42, the accounts of a subsidiary 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, who shall be appointed by the State Bank, with the approval of the Reserve Bank.

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1 Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 20 with effect from 09-07-2007.
(2) The auditor shall receive such remuneration as the State Bank may fix.

(3) No director or officer of a subsidiary 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 subsidiary 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 that subsidiary bank;

(b) may, at the expense of that subsidiary bank, employ accountants and other persons to assist him in investigating such accounts: and

(c) may, in relation to such accounts, examine any director or any officer of that subsidiary bank.

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

(6) The auditor shall on relinquishing office be eligible for reappointment.

(7) The auditor shall make a report to the State Bank upon the annual balance-sheet and accounts of the subsidiary bank and in every such report, be 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 fair view of the affairs of that subsidiary 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 that subsidiary 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 that subsidiary 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 State Bank,

[Explanation 1.-- For the purposes of this Act,--]

(a) the balance-sheet shall not be treated as not disclosing a true and fair view of the affairs of the subsidiary bank, and

(b) the profit and loss account shall not be treated as not showing a true balance of profit or loss for the period covered by such account, merely by reason of the fact that the balance-sheet or, as the case may be, the profit and loss account, does not disclose any matters which are, by the provisions of the Banking Regulation Act, 1949, read with

1 Substituted for the words "exhibit a true and fair view" by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 31 with effect from 31-12-1973.

the relevant provisions of this Act, not required to be disclosed.

Explanation 2.-- For the purposes of this Act, the accounts of the subsidiary bank shall not be deemed as having not been properly drawn up on the ground merely that they do not disclose certain matters if--

(i) those matters are such as the subsidiary bank is, by virtue of any provision contained in the Banking Regulation Act, 1949, read with the relevant provisions of this Act, or any other Act, not required to disclose, and

(ii) the provisions referred to in clause (i) are specified in the balance-sheet and profit and loss account of the subsidiary bank or in the auditor's report.

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

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

42 Temporary provision regarding existing auditors

If, on the appointed day, any appointment of an auditor made by, or in respect of, an existing bank, 1 [or the Hyderabad Bank], as the case may be, is subsisting, the State Bank may, on or after such day, either confirm the appointment in accordance with the provisions of this Act, subject to such modifications of the terms and conditions of the appointment, as it may deem necessary, or terminate the appointment, and may, if it so terminates the appointment, fix such remuneration as appears to it to be reasonable having regard to the work already done, functions discharged, or duties performed by the auditor concerned.

43 Returns to be furnished by a subsidiary bank

(1) A subsidiary bank shall furnish to the State Bank 2 [the Reserve Bank and the Central Government]-

(a) 3 [within three months from the 31st day of 4 [March] [or the date notified under section 39. as the case may be,] as on which its books 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 5 [and activities] of the subsidiary bank during the period covered by the accounts; and

1 Substituted for the words "the Hyderabad Bank or the Saurashtra Bank" by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009.
3 Substituted for the words "within three months from the date on which its accounts are closed and balanced" by the State Bank Laws (Amendment) Act, 1973 (48 of 1971). Section 32 with effect from 31-12-1973.
4 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 21 with effect from 09-07-2007 for the word "December".
5 Inserted by Act 1 of 1984, Section 51 with effect from 15-12-1984.
(b) any other information relating to the affairs and business of the subsidiary bank which the State Bank or the Reserve Bank may require.

1[Provided that the Reserve Bank may, after consultation with the State Bank, extend the said period of three months by such further period, not exceeding three months, as it may think fit.]

2[(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.]

3[(3) The Central Government shall cause the auditor's report and the report by the Board of Directors on the working and activities of the subsidiary bank to be laid, as soon as may be after they are received, before each House of Parliament, 4[...].

44 General meetings

(1) A general meeting (Hereinafter referred to as an annual general meeting) of a subsidiary bank shall be held 5[in each year] at the place where the head office of the subsidiary bank is situate, and any other general meeting may be convened by the Board of Directors at any time.

6[Provided that such annual general meeting shall be held before the expiry of six weeks from the date on which the balance-sheet, together with the profit and loss account and auditor's report, is under sub-section (1) of Section 43, forwarded to 7[the State Bank, the Reserve Bank or the Central Government], whichever date is earlier.]

(2) The shareholders present at an annual general meeting shall be entitled to 8[discuss and adopt the balance-sheet] and profit and loss account of the bank concerned, made up to the previous 31st day of 9[March] 10[or the date notified under section 39, as the case may be,] the report of the Board of Directors on the working 11[and activities] of that bank for the period covered by the accounts and the auditor's report on the balance sheet and accounts.

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1 Inserted by Act 48 of 1973 Section 32 with effect from .31-12-1973.
2 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 21 with effect from 09-07-2007. The sub-section before its amendment was “… (2) The balance sheet and the profit and loss account of a subsidiary bank shall be signed by the general manager and a majority of the directors of the subsidiary bank.”
4 Words “while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions” omitted by Banking Laws (Amendment) Act (81 of 1985), Section 3 with effect from .1-5-86.
5 Substituted for the words ”annually before the end of March” by the State Bank Laws (Amendment) Act, 1973. (48 of 1973), Section 33 with effect from .31-12-1971.
7 Substituted for the words "the State Bank, or to the Reserve Bank by the Banking Laws (Amendment) Act, 1983 , (1 of 1984), Section 52 with effect from .15-2-1984.
8 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 21 with effect from 09-07-2007 for the words “discuss the balance-sheet”.
9 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 22 with effect from 09-07-2007 for the word “December”.
10 Inserted by Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988 (66 of 1998), Section 22 with effect from .30-12-88.
(3) Nothing contained in this section relating to an annual general meeting shall apply in relation to a subsidiary bank if, as on the previous 31st day of March [or the date notified under section 39, as the case may be] all the shares in the issued capital of that bank are held by the State Bank.

CHAPTER VIII
MISCELLANEOUS

45 Power to issue direct in as far removing difficulties
For the purpose of facilitating the full and effective transfer of the undertaking of an existing bank in accordance with the provisions of this Act or in order to remove any difficulty which in the opinion of the Central Government has arisen or is likely to arise in connection with such transfer, the Central Government may, in consultation with the Reserve Bank, give such directions to any existing bank or the State Bank as appear to it to be necessary and the said bank or the State Bank, as the case may be, shall comply with such directions.

46 Observers for existing banks
(1) The State Bank may, in relation to any existing bank, at any time before the appointed day,-
(a) depute one or more persons to watch the proceedings at any meeting of the Board of Directors, any committee or other body of the bank; require the bank to give an opportunity to the person or persons so deputed to be heard at such meetings and also require such person or persons to send a report of such proceedings to the State Bank;
(b) require the Board of Directors, any committee or other body of the bank to give in writing to any person specified by the State Bank in this behalf, at his usual address, all notices of, and other communications relating to, any meeting of the Board committee or other body, as the case may be;
(c) appoint one or more persons to observe the manner in which the affairs of the bank or of its offices or branches are being conducted and make a report thereon; and
(d) require the bank to furnish the State Bank, within such time as may be specified by the State Bank with any statement or information relating to the business or affairs of the bank including copies of the proceedings of any meeting of the Board of Directors any committee or other body, of the bank.

(2) If a person deputed by the State Bank to watch the proceedings of any meeting of the Board of Directors, any committee or other body, as the case may be, gives notice in writing to the bank that such person considers that any action, step or proceeding proposed to be taken or carried out by the bank will be detrimental to the State Bank or to the bank itself, such action, step or proceeding shall not be taken or carried out by the

1 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 22 with effect from 09-07-2007 for the word “December”.
2 Inserted by Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1998 (66 of 1998), Section 22 with effect from 30-12-88.
3 Words “And The Saurashtra Bank” omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
4 Words “or the Saurashtra Bank” omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
bank unless and until the State Bank approves in writing of such action step or proceeding.

47 Inspection

(1) Without prejudice to the other provisions contained in this Act, the State Bank may, at any time, cause an inspection to be made by one or more of its officers of any existing bank, ²[or the Hyderabad Bank].

(2) It shall be the duty of every person who is or has at any time been a director, officer or other employee of a bank which is inspected under sub-section (1), to produce to any officer making the inspection, all such balances, books, accounts, securities and other documents in his custody or power and to furnish the said officer with any statements and information relating to the affairs of the bank as the said officer may require of him within such time as the said officer may specify.

(3) If any person-
(a) fails, within the stipulated time, to produce any balance, book, account, security or other document or to furnish any statement or information which under sub-section (2) it is his duty to produce or furnish, or to answer any question relating to the business of the bank under inspection which is asked by an officer making the inspection, or
(b) in any document or information required or furnished or while answering any question put to him, wilfully makes a statement which is false in any material particular, knowing it to be false, or wilfully omits to make a material statement, he shall be punishable with imprisonment for term which may extend to three years and shall also be liable to fine.

48 Cost of development programme

(1) A subsidiary bank may accept any subsidies offered by the State Bank to meet-
(a) the cost of the whole or any part of any specific programme of development undertaken by that subsidiary bank with the approval of the State Bank; and
(b) such losses or expenditure as may be approved by the State Bank, with the consent of the Reserve Bank.

(2) For the purposes of the ³[Income tax-Act, 1961], any subsidy received by a subsidiary bank under sub-section (1) shall not be treated as income, profits or gains of the subsidiary bank.

¹ “Explanation” omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
² Substituted for the words “the Hyderabad Bank or the Saurashtra Bank” by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
³ Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 23 with effect from 09-07-2007 for the words “Indian Income- tax Act, 1922”.

47
49 Special provision regarding existing officers and employees

(1) Notwithstanding anything contained in any of the other provisions of this Act, or in any other law or in any contractor service or other document, no appointment made or promotion, increment in salary, pension or allowance or any other benefit granted to any person by an existing bank ¹ after the 10th day of Feb., 1958, 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 said banks or of any provident, pension or other fund in force before the 10th day of February, 1958, shall have effect or be payable or claimable from the subsidiary bank concerned, or from any provident, pension or other fund or from any authority administering any such fund, unless the State Bank has, with the approval of the Reserve Bank, by a 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 an existing bank ² has received any amount by reason of such appointment, promotion or increment or any such pension, allowance or other benefit as is referred to in sub-section (1), which has not been confirmed or sanctioned by the State Bank under that sub-section, such officer or other employee shall be bound to refund such amount to the subsidiary bank concerned, and that bank shall be entitled to take all such steps as may be necessary for recovering such amount.

(3) Where any managing director, general manager or manager, deputy managing director or deputy general manager or other employee of an existing bank ³ has, after the 10th day of February, 1958, and before the appointed day, been paid any sum by way of compensation or gratuity, the subsidiary bank concerned shall be entitled to claim a refund of any sum so paid if the payment is not confirmed by the State Bank by a general or special order.

(4) Nothing in this section shall apply to, or in relation to, any officer or other employee of the Bank of Patiala, who does not become an officer or other employee of the State Bank of Patiala under the provisions of section 11.

50 Staff of a subsidiary bank

(1) A subsidiary bank may, subject to such limitations and conditions as may be prescribed, 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.

[(1A) 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.]
(2) For the removal of doubts, it is hereby declared that the officers, advisers and employees of a subsidiary bank, in whatever capacity engaged, shall not be deemed to be officers, advisers or employees of the State Bank for any purpose, unless otherwise provided in the contract or agreement of service of any such officer, adviser or employee.

50A¹[Bonus]

(1) No officer, adviser or other employee [other than an employee within the meaning of clause (13) of section 2 of the Payment of Bonus Act, 1965] of a subsidiary bank shall be entitled to be paid any bonus.

(2) No employee of a subsidiary bank, being an employee within the meaning of clause (13) of section 2 of the Payment of Bonus Act, 1965, shall be entitled to be paid any bonus except in accordance with the provisions of that Act.

(3) The provisions of this section shall have effect notwithstanding any judgment, decree or order of any court, tribunal or other authority and notwithstanding anything contained in any other provision of this Act or in the Industrial Disputes Act, 1947, or any other law for the time being in force or any practice, usage or custom or any contract, agreement, settlement, award or other instrument.

51 Establishment of pension and superannuation funds by subsidiary banks

Notwithstanding anything to the contrary contained in any other law for the time being in force, a subsidiary bank may establish and maintain superannuation pension, provident or other funds for the benefit of its officers or employees or the dependants of such officers or employees or for the purposes of the subsidiary bank, and grant superannuation allowances, annuities and pensions payable out of any such fund.

52 Obligation as to fidelity and secrecy

(1) A subsidiary 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 a subsidiary bank shall, before entering upon his duties, make a declaration of fidelity and secrecy as in the form set out in the Second Schedule:

Provided that any declaration made under sub-section (2) of section 35 of the State Bank of Hyderabad Act, 1956 shall be deemed to be declaration made to the Hyderabad Bank under this sub-section.

¹ Inserted by Baking Laws (Amendment) Act (64 of 1984), Section 3 with effect from . 11-9-84.
53 Indemnity of directors

(1) Every director of a subsidiary 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 a subsidiary 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 properly 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.

(3) Where the State Bank nominates any of its officers as director of a subsidiary Bank, such director shall not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as director or anything in relation thereto.

54 Defects in appointment or constitution not to invalidate acts or proceedings

(1) No actor proceeding of the Board of Directors of a subsidiary 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 a subsidiary 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.

55 Companies Act, 1956, and Banking Regulation Act, 1949, not to apply to certain existing banks

Subject to the provisions of this Act and unless the Central Government by notification in the Official Gazette, otherwise, directs, on and from the appointed day, the provisions of the Companies Act 1956, and the Banking Regulation Act, 1949 shall not apply to an existing bank in so far as the said provisions impose any obligation on, or require anything to be done by, any such bank.

56 Continuance of special provisions respecting recovery of loans and advances made by the Bank of Patiala

The State Bank of Patiala shall be entitled to recover in the same manner as an arrear of land revenue any moneys due in respect of loans or advances made before the appointed day by the Bank of Patiala and the provisions of any law relating to such recovery as were applicable to that bank before the appointed day shall continue to

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2 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 25 with effect from 09-07-2007 for the word “Banking Companies Act”.
3 Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (30 of 2007), Section 25 with effect from 09-07-2007 for the word “Banking Companies Act”.
4 Words "And The State Bank Of Saurashtra" omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
5 Words "and the Saurashtra Bank" omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
6 Words "or the Saurashtra Bank, as the case may be," omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
apply to the State Bank of Patiala ¹[...] in respect of such recovery after the appointed day.

57 Bar to liquidation of a subsidiary bank
No provision of law relating to the winding up of companies shall apply to a subsidiary bank nor shall it be placed in liquidation, save as provided in this Act or by order of the Central Government and in such manner as the Central Government may direct.

58 Dissolution of existing banks
Notwithstanding anything contained in this Act or in any other law for the time being in force or in any contract or other instrument an existing bank shall, on such date as the Central Government may, by notification in the Official Gazette, specify in this behalf, stand dissolved.

59 ²[Construction of references to existing banks
(1) For the purposes of sections 45, 49, 55, 58 and the First Schedule, the expression 'existing bank' shall include the Bank of Jaipur Limited. (2) Except as otherwise provided in any general or special order made by the Central Government any reference in any law, other than this Act, or in any contract or other instrument--
(a) to an existing bank, shall be construed as a reference to the corresponding new bank;
(b) to the Bank of Jaipur Limited, shall be construed as a reference to the State Bank of Bikaner.]

60 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, by a Deputy Governor nominated under sub-section (3) of section 7 of the Reserve Bank of India Act, 1934, or by such officer or officers of the Reserve Bank in respect of such matters and subject to such conditions and limitations as the Governor of the Reserve Bank may specify.

61 Protection of action taken under Act
(1) No suit or other legal proceeding shall lie against the Central Government, the Reserve Bank or the State Bank or any officer of the Central Government, the Reserve Bank or the State 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.
(2) No person shall have any right, whether in contract or otherwise, to any compensation for any loss incurred or any damage caused by reason of the operation of or anything done in pursuance of, the provisions contained in sections 46 and 47.

62 Power of central Government to make rules
(1) The Central Government may, by notification in the Official Gazette ¹[make rules to

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¹ Words "or the Saurashtra Bank, as the case may be," omitted by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.[52]

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

(a) the terms and conditions of service of the Chairman, members and staff of the Tribunal;

(b) the manner of and the procedure for payment of compensation (including allotment of shares in lieu of compensation under this Act, including the requirements subject to which the payment shall be made:

(c) the determination of the persons to whom 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, bill the transfer has not been registered or where the share-holder is dead;

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

(e) 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.

(f) 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.

[(g) the manner of appointment of a director under clause (ca) or clause (cb) of subsection (1) of section 25, and all other matters connected therewith or incidental thereto.]

3[(3) Every rule made under this section shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive session aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such medication or annulment shall be without prejudice to the validity of anything previously done under that rule.]
63 \[\text{Power of Subsidiary Banks to make regulations}\]

\[\text{Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2011 (17 of 2011), Section 10 with effect from 01-12-2011. The Section before its amendment was “63. Power of subsidiary banks to make regulations:-} (1) The Board of Directors of a subsidiary bank may, after consultation with the State Bank and with the previous approval of the Reserve Bank, by notification in the Official Gazette, make regulations not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act or any other law for the time being in force:]\]

(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 general manager of the subsidiary bank;
(b) the fees and allowances which may be paid to directors or others for attending any meetings of the Board of Directors or of its committees (including the executive committee) or other committees or for attending to any other work of the subsidiary bank;
(c) the time and place at which and the manner in which the business of the Board of Directors of the subsidiary bank shall be transacted and the procedure to be followed at the meeting thereof;
(d) the constitution of the executive committee of the subsidiary bank and the conditions and limitations subject to which the executive committee may exercise its powers and the procedure to be followed at the meetings thereof;
(e) the formation of any other committees, whether of the Board of Directors of the subsidiary bank or otherwise, and the delegation of powers and functions of the Board to such committees and the conduct of business in such committees;
(f) the nature of shares of the subsidiary bank, the manner in which and the conditions subject to which shares may be held and transferred and generally all matters relating to the rights and duties of shareholders;
[(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;]
[(g);the maintenance of share registers, and the particulars to be entered in such registers in addition to those specified in sub-section (1) of section 21, the safeguards to be observed in the maintenance of the register of shareholders on computer floppies or diskettes or any other electronic form, the inspection and closure of the registers and all other matters connected therewith;
(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 18A;
(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 18A;
(gc) the manner in which nomination is varied or cancelled under subsection (3) of section 18A;
(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 18A;]

(h) the holding and conduct of elections under this Act and the final determination of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections;
(i) the manner in which general meeting shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised;
(j) the manner in which notices may be served on behalf of the subsidiary bank upon shareholders or other persons;
(k) the payment of dividends including interim dividends;
(l) the delegation of powers and functions of the Board of Directors of the subsidiary bank to the general manager or directors or officers or other employees of that bank;
(m) the conditions and limitations subject to which the subsidiary bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service;
(n) the duties and conduct of officers, advisers and other employees of the subsidiary bank;
(o) the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of the officers or employees of the subsidiary bank or of the dependants of such officers or employees or for the purposes of the subsidiary bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;
(1) The Board of Directors of a subsidiary bank may, after consultation with the State Bank and the Reserve Bank and with the previous approval of the Central Government, by notification in the official Gazette, make regulations not inconsistent with this Act and the rules made thereunder, to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act or any other law for the time being in force.

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

(a) the powers and duties of the managing director of the subsidiary bank;
(b) the fees and allowances which may be paid to directors or others for attending any meetings of the Board of Directors or of its committees (including the executive committee) or other committees or for attending to any other work of the subsidiary bank;
(c) the time and place at which, and the manner in which the business of the Board of Directors of the subsidiary bank shall be transacted and the procedure to be followed at the meetings thereof;
(d) the constitution of the executive committee of the subsidiary bank and the conditions and limitations subject to which the executive committee may exercise its powers and the procedure to be followed at the meetings thereof;

(p) the conduct and defence of legal proceedings by or against the subsidiary bank and the manner of signing pleadings;
(q) the provision of a seal for the subsidiary bank and the manner and effect of its use;
(r) the form and manner in which contracts binding on the subsidiary bank may be executed;
(s) the conditions and requirements subject to which loans or advances may be made or bills may be discounted or purchased by the subsidiary bank;
(t) the conditions subject to which loans or advances may be made by the subsidiary bank to its directors or officers or the relatives of such directors or officers or to companies, firms or individuals with which or with whom such directors or officers or relatives are connected as partners, directors, managers, servants, shareholders or otherwise;
(u) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of the officers or employees of the subsidiary bank or their dependants or for the purposes of that bank;
(v) the circumstances in which the specific approval of the State Bank shall be required to the grant of loans and advances or investment of funds by the subsidiary bank or to any contract, arrangement or proposal entered into or proposed to be entered into by the subsidiary bank;
(w) the preparation and submission to the State Bank and the Reserve Bank of statements of programmes of activities and financial statements of the subsidiary bank and the periods for which, and the time within which such statements and estimates are to be prepared and submitted;
(x) the person or persons in the State Bank by whom any powers, duties or functions conferred, imposed or entrusted on or to the State Bank under this Act may be exercised or performed;
(y) generally, for the efficient conduct of the affairs of the subsidiary bank.

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

(3) All regulations under this section, except the first regulations, shall be made in consultation with the Board of Directors of the subsidiary bank concerned.

[(4) Every regulation shall, as soon as may be after it is [made under this section] by the State Bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and, if before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of any-thing previously done under that regulation.]
(e) the formation of any other committees, whether of the Board of Directors of the subsidiary bank or otherwise, and the delegation of powers and functions of the Board to such committees and the conduct of business in such committees;

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

(g) the procedure for issuing the certificates of shares;

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

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

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

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

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

(m) the manner in which nomination is varied or cancelled under sub-section (3) of section 18A;

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

(o) the holding and conduct of elections under this Act and the final determination of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections;

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

(q) the manner in which notices may be served on behalf of the subsidiary bank upon shareholders or other persons;

(r) the payment of dividends including interim dividends;

(s) the delegation of powers and functions of the Board of Directors of the subsidiary bank to the managing director or directors or officers or other employees of that bank;

(t) the conditions and limitations subject to which the subsidiary bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service;

(u) the duties and conduct of officers, advisers and other employees of the subsidiary bank;
(v) the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of the officers or employees of the subsidiary bank or of the dependants of such officers or employees or for the purposes of the subsidiary bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;

(w) the conduct and defence of legal proceedings by or against the subsidiary bank and the manner of signing pleadings;

(x) the provision of a seal for the subsidiary bank and manner the and effect of its use;

(y) the form and manner in which contracts binding on the subsidiary bank may be executed;

(z) the conditions and requirements subject to which loans or advances may be made or bills may be discounted or purchased by the subsidiary bank;

(za) the conditions subject to which loans or advances may be made by the subsidiary bank to its directors or officers or the relatives of such directors or officers or to companies, firms or individuals with which or with whom such directors or officers or relatives are connected as partners, directors, managers, servants, shareholders or otherwise;

(zb) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of the officers or employees of the subsidiary bank or their dependants or for the purposes of that bank;

(zc) the circumstances in which the specific approval of the State Bank shall be required to the grant of loans and advances or investment of funds by the subsidiary bank or to any contract, arrangement or proposal entered into or proposed to be entered into by the subsidiary bank;

(zd) the preparation and submission to the State Bank and the Reserve Bank of statements of programmes of activities and financial statements of the subsidiary bank and the periods for which, and the time within which such statements and estimates are to be prepared and submitted;

(ze) generally, for the efficient conduct of the affairs of the subsidiary bank.

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

(4) Every regulation shall, as soon as may be after it is made under this section by the Board of Directors of a subsidiary bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days, which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.]
64 [...] 

65 Saving
Nothing in this Act shall be deemed to affect the provisions of section 35 of the State Bank of India Act, 1955.

THE FIRST SCHEDULE

THE FIRST SCHEDULE
(Sec sections 13 and 14)
PRINCIPLES OF COMPENSATION

1. A. The compensation to be given by the State Bank shall in the case of the Hyderabad Bank, \(^2\)[or the Bank of Patiala], be an amount equal to the value of the assets of that bank as on the day immediately before the appointed day, computed in accordance with the provisions of Part 1 of this paragraph less the total amount of liabilities thereof computed in accordance with the provisions of Part II of this paragraph.

B. The total compensation to be given by the State Bank in respect of the transfer of the shares in the capital of the existing banks, other than the Bank of Patiala to the persons (including any State Government) who, immediately before the appointed day, are registered as holders of shares in the books of each of these banks shall, in each case, be an amount equal to the value of the assets of that bank as on the day immediately preceding the appointed day in relation to the corresponding new bank, computed in accordance with the provisions of Part 1 of this paragraph less the total amount of liabilities thereof computed in accordance with the provisions of Part II of this paragraph.

PART I: Assets
For the purposes of this paragraph, assets mean the total of the following:--
(a) the amount of cash in hand and with the Reserve Bank and the State Bank (including foreign currency notes which shall be converted at the market rate of exchange).
(b) the amount of balances with any other bank, not being the Reserve Bank or the State Bank, whether on deposit or current account, and money at call and short notice, balances held outside India being converted at the market rule of exchange:
Provided that any balances which are not realisable in full shall be deemed to be debts and valued accordingly.
(c) the market value as on the appointed day of any securities, shares, debentures, bonds and other investments, held by the bank concerned:

Explanation.-- For the purposes of this clause,--
(i) securities of the Central and State Governments (other than the securities specified in sub-clauses (ii) and (iii) of this Explanation) maturing for redemption within five years from the appointed day shall be valued at the face value or the market value

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1 Repealed by Repealing and Amendment Act, 1964 (52 of 1964), Section 2 and Schedule 1 (29-12-1964.)
2 Substituted for the words "the Bank of Patiala or the Saurashtra Bank" by State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
whichever is higher;

(ii) securities of the Central Government, such as Post Office Certificates and Treasury Savings Deposit Certificates and any other securities or certificates issued or to be issued under the Small Savings Scheme of the Central Government, shall be valued at their face value or the encashable value as on the appointed day whichever is higher;

(iii) where the market value of any Government security such as the zamindari abolition bonds or other similar security in respect of which the principal is payable in instalments, is not ascertainable or is, for any reason, not considered as reflecting the fair value thereof or as otherwise appropriate, the security shall be valued of such an amount as is considered reasonable having regard to the instalments of principal and interest remaining to be paid, the period during which such Instalments are payable, the yield of any security, issued by the Government to which the security pertains and having the same or approximately the same maturity, and other relevant factors;

(iv) where the market value of any security, share, debenture, bond or other investment is not considered reason-able by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period;

(v) where the market value of any security, share, debenture, bond or other investment is not ascertainable, only such value, if any, shall be taken into account as is considered reasonable having regard to the financial position of the issuing concern, the dividend paid by it during the preceding five years and other relevant factors:

(d) the amount of advances (including loans, cash credits, overdrafts, bills purchased and discounted), and other debts, whether secured or unsecured, to the extent to which they are reasonably considered recoverable, having regard to the value of the security, if any, the operations on the account, the reported worth and respectability of the borrower, the prospects of realisation and other relevant considerations;

(e) the market value of any land or buildings;

(f) the total amount of the premia paid, in respect of all leasehold properties, reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid hours to the total term of the lease;

(g) the written down value us per hooks, or the realisable value, as may be considered reasonable, of all furniture, fixtures and fittings;

(h) the market or realisable value, us may be appropriate, of other assets appearing on the books of the bank, no value being allowed for capitalised expenses, such us share selling commission, organisational expenses and broker-age, losses incurred and similar other items.

PART II: Liabilities

1. For the purposes of this paragraph, "liabilities" means the total amount, of all outside liabilities existing on the appointed day and all contingent liabilities which the subsidiary bank concerned may reasonably be expected to be required to meet out of its own resources on or after the appointed day.

COMPENSATION PAYABLE TO SHAREHOLDERS

2. Every shareholder of an existing bank other than the Bank of Patiala shall be given such amount as compensation as bears to the total compensation, in respect of each of
the said banks calculated in accordance with the provisions of paragraph 1, the same proportion as the amount of the paid-up capital of the share held by the shareholder hears to the total paid-up capital of that bank.

CERTAIN DIVIDENDS NOT TO BE TAKEN INTO ACCOUNT

3. So separate compensation shall be payable for any profits or any dividend an respect of any period immediately preceding the appointed day for which, in the ordinary course, profits would have been transferred or dividend declared after the appointed day.

THE SECOND SCHEDULE

THE SECOND SCHEDULE

(See section 52)

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 employee, us the cast may be) of the State Bank of ....................................

* and which properly relate to the office or position held by me in, or in relation to 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 .................................... 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 any access to any books or documents belonging to, or in the possession of the State Bank of.................................... and relating to the business of the said bank or to the business of any person having any dealing with the said Bank.

*Here enter the name of the subsidiary bank concerned.

THE THIRD SCHEDULE

THE THIRD SCHEDULE

1[...]
LIST OF AMENDMENT ACTS TO SBI (SUBLIARY BANKS) ACT, 1959

(Act No.38 of 1959)

1) Act No. 56 of 1962  (w.e.f. 1.1.1963)
2) Act No. 55 of 1963
3) Act No. 52 of 1964
4) Act No. 48 of 1973  (w.e.f. 1.7.1974)
5) Act No. 1 of 1984  (w.e.f. 15.2.1984)
6) Act No. 64 of 1984  (w.e.f. 11.9.1984)
7) Act No. 81 of 1985  (w.e.f. 1.5.1986)
8) Act No. 66 of 1988  (w.e.f. 30.12.1988)
9) Act No. 8 of 1997  (w.e.f. 15.01.1997)
10) Act No. 45 of 2006; Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006.
11) Act No. 30 of 2007  (w.e.f. 9.7.2007)
12) Act No. 48 of 2009; State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009
13) Act No. 27 of 2010; State Bank of India (Amendment) Act 2010 (w.e.f 15-09-2010).
14) Act No 7 of 2011; State Bank of India (Subsidiary Banks) Amendment Act, 2011
15) Act No. 17 of 2011; State Bank of India (Subsidiary Banks Law) Amendment Act, 2011 (w.e.f 01.12.2011)
16) The Banking Laws (Amendment) Act, 2012 (No. 4 of 2013) (w.e.f. 18.01.2013)
THE SUBSIDIARY BANKS GENERAL REGULATIONS, 1959
THE SUBSIDIARY BANKS GENERAL REGULATIONS, 1959

In exercise of the powers conferred by section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), the State Bank of India, with the approval of the Reserve Bank of India, has made the following regulations, namely:

CHAPTER I

INTRODUCTORY

1. Short title and commencement. (1) These regulations may be called the Subsidiary Banks General Regulations, 1959. (2) They shall come into force on the appointed day.

2. Definitions. In these regulations unless there is anything repugnant in the subject or context,
(a) “the Act” means the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959);
(b) “approved security” means any one or more of the following securities:-
   (i) stocks, funds and securities (other than immovable property) in which a trustee may invest trust money under any law for the time being in force in India;
   (ii) debentures or other securities for money issued by or on behalf of a district board, municipal committee or other local authority, under any law for the time being in force in India;
   (iii) subject to such general or special directions as may be issued by the board-
      (a) debentures and fully paid shares of corporations (other than companies registered under any law relating to companies) established by or under any law for the time being in force in India; and
      (b) debentures of companies with limited liability registered under any law relating to companies either in India or in such other country as the Central Government may approve in this behalf;
   (iv) receipts, certificates or any other form of instrument issued by the subsidiary bank in evidence of or representing amounts deposited with it;
   (v) goods (other than shares or securities) which are deposited with, or, if authorised by special directions of the State Bank, hypothecated to, the subsidiary bank as security for advances, loans or credit; and
   (vi) documents of title to goods assigned to the subsidiary bank as security for advances, loans or credits.
(c) “the Board” in relation to a subsidiary bank means the board of directors of that subsidiary bank;
(d)”chairman” means the chairman of the State Bank;
(e) “company” means any company as defined in section 3 of the Companies Act 1956 and includes a foreign company within the meaning of section 591 of that Act and anybody corporate incorporated by or under any law for the time being in force: and

(f) other expressions used but not defined in these regulations and used in the Act have the meanings respectively assigned to them in the Act.

CHAPTER II
SHARES AND SHARE REGISTERS

3. Shares movable property. The shares of a subsidiary bank shall be movable property.

4. Control over shares and registers. (1) Subject to the provisions of the Act and these regulations, the register of shareholders of a subsidiary bank shall be maintained by, and be under the control of, the Board and the decision of the Board as to whether or not a person is entitled to be registered as a holder in respect of any share shall be final.

(2) In particular, and without prejudice to the foregoing provision, the Board shall, as regards the entries in the register of shareholders of that bank, have the power to examine and pass or refuse to pass transfers and transmissions and to approve or refuse to approve transferees of shares and to give certificates of shares.

5. Parties who may not be registered as shareholders. (1) Except as otherwise provided by these regulations, no minor or person who has been found by a court of competent jurisdiction to be of unsound mind shall be entitled to be registered as a shareholder.

(2) In the case of firms, shares shall be registered in the names of the individual partners, and no firm, as such, shall be entitled to be registered as a shareholder.

6. Particulars to be entered in the share register. (1) In addition to the particulars specified in section 21 of the Act following particulars shall be entered in the register of shareholders:

i) the manner in which each shareholder acquired his share or shares, and except in the case of allotment of shares to the State Bank in respect of a new bank under sub-section (2) of section 7 of the Act, in respect of the Hyderabad Bank under sub-section (2) of section 10 of the State Bank of Hyderabad Act, 1956, and in respect of the Saurashtra Bank under sub-section (2) of section 6 of the Saurashtra State Banks (Amalgamation) Ordinance, 1950, the name of the previous holder;

(ii) whether the shareholder belongs to one of the categories of shareholders referred to in the proviso to section 19 of the Act, and if so, the category to which he belongs;

(iii) when any person ceases to be a shareholder, the name of the person in whose favour the share or shares are transferred; and

(iv) such further particulars as the Board may specify.

(2) In the case of joint holders of any shares, their name and other particulars required by sub-regulation (1) shall be grouped under the name of the first of such joint holders.
(3) A shareholder resident outside India shall furnish to the subsidiary bank an address in India and such address shall be entered in the register and be deemed to be his registered address for the purposes of the Act and these regulations.

7. Exercise of rights of joint holders. If any share stands in the name of two or more persons the person first named in the register shall, as regards voting, receipt of dividends, service of notices and all or any other matter connected with the subsidiary bank, except the transfer of the shares, be deemed the sole holder thereof.

8. Inspection of register. (1) The register of shareholders of a subsidiary bank shall, except when closed under the provisions of these regulations, be open to the inspection of any shareholder free of charge, at the place where it is maintained during business hours, subject to such reasonable restriction as the subsidiary bank may impose, but so that not less than two hours in each working day shall be allowed for inspection. 
(2) A shareholder shall not have the right himself to make a copy of any entry in the register, but may, except when the register is closed, require a copy of the register or of any part thereof on prepayment therefor at the rate of fifty paise for every hundred words or fractional part thereof required to be copied.

9. Closing of share register. (1) The Board may close the register of shareholders for any period or periods not exceeding in the aggregate two months in each year but not exceeding one month at any one time. 
(2) A notice of the closing of the register shall be published in the Gazette of India and also in at least two principal daily newspapers circulating at the place where the head office of the subsidiary bank is situate.

10. Share certificates. (1) Every share certificate shall be issued under the common seal of the subsidiary bank and shall specify the number and denoting numbers of the shares in respect of which it is issued. 
(2) A share certificate under the common seal of a subsidiary bank specifying the share/shares held by any shareholder of that bank shall be prima facie evidence of the title of the shareholder to such share.

11. Issue of share certificates free of charge. (1) A shareholder of a subsidiary bank shall be entitled to one certificate for each five shares of that bank registered in his name on any one occasion, and one additional share certificate for the number of shares in excess of a multiple of but less than five shares. 
(2) If the number of shares to be registered is less than five, one certificate shall be issued for all the shares.
(3) If any shareholder requires more certificates than the number to which he is entitled under this regulation, the subsidiary bank may have such additional certificates issued at its absolute discretion. 
(4) In the case of shares held jointly by several persons, delivery of the relative certificate or certificates to one of such joint holders shall be sufficient delivery to all and a receipt signed by any of the joint holders shall effectively bind all the joint holders.
12. Renewal of share certificates. (1) If any share certificate is worn out or defaced or tendered for sub-division, then, upon production thereof to the Board, the Board may order the same to be cancelled, and have a new certificate or certificates issued in lieu thereof.

(2) If any share certificate is alleged to be lost or destroyed, then, upon production of such evidence of the loss or destruction thereof as the Board may consider satisfactory, and of such indemnity, with or without security as the Board may require, and on payment to the subsidiary bank of its costs, charges and expenses of and incidental to the matter, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate.

13. Transfer of shares. (1) Every transfer of the shares of a subsidiary bank shall be in writing in the following form or in any usual or common form which the subsidiary bank shall approve:

I/we -------- of -------- in consideration of the sum of rupees -------- paid to me/us by-------- of-------- (hereinafter called “the transferee(s)”) do hereby transfer to the transferee (s)-------- share/shares of the -------- numbered -------- to hold unto the transferee(s), his/their executors, administrators and assigns, subject to the several conditions contained in the State Bank of India (Subsidiary Banks) Act, 1959 and the rules and regulations made thereunder, and I/we, the transferee(s) do hereby agree to take said share/shares subject to the conditions aforesaid and I/we, the transferee(s) request that I/we be registered as shareholder in respect of the said share/shares.

I/we shall not, on registration of this transfer, come to be registered as holder of shares of the -------- in excess of the maximum number of shares permitted by section 19 of the State Bank of India (Subsidiary Bank) Act, 1959.

Transferor
Name...........................................
Address ...........................................

Witness
Name...........................................
Address ...........................................

Transferee
Name...........................................
Address ...........................................

Witness
Name ...........................................
Address ...........................................

(2) The instrument of transfer of any share shall be submitted to the Board and shall be signed by or on behalf of the transferor and the transferee, and transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the share register. Each signature to such transfer shall be duly attested by the signature of one witness who shall add his address and occupation.

(3) Upon receipt by the Board of an instrument of transfer with the request to register the transfer, the Board shall, unless it declines the registration under regulation 14, within two months from the date on which the instrument of transfer was delivered to the subsidiary bank for submission to the Board, cause the transfer to be registered.

14. Power to refuse or suspend transfers. (1) The Board may decline to register any transfer of shares unless:

[(a) *** ]
(b) a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and the transferee has been submitted to the Board.

(c) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence and the subsidiary bank may reasonably require in evidence of the right of the transferor to make the transfer.

(d) It is satisfied after such enquiry as it may consider necessary that the transferee is qualified to be registered as a shareholder in respect of the shares covered by the instrument of transfer.

(2) The Board may suspend the registration of transfer during any period in which the register is closed.

15. Transmission of shares in the event of death, insolvency etc., of a shareholder. (1) The executors or administrators of the estate of a deceased sole holder of a share of a subsidiary bank, or the holder of succession certificate issued under Part X of the Indian Succession Act, 1925 in respect of such share, or a person in whose favour a valid instrument of transfer of such share was executed by such person or by the deceased sole holder during the latter's life-time, shall be the only person who may be recognized by the subsidiary bank as having any title to the share of the deceased shareholder. In the case of a share of a subsidiary bank registered in the names of two or more holders, the survivor or survivors and on the death of the last survivor, the executors or administrators of his estate, or any person who is the holder of a succession certificate in respect of such survivors interest in the share, or a person in whose favour a valid instrument of transfer of the share was executed by such person or such last survivor during the latter's life-time, shall be the only person who may be recognized by the subsidiary bank as having any title to such share. The subsidiary bank shall not be bound to recognize such executors or administrators unless they shall have obtained probate or letters of administration or other legal representation as the case may be from a duly constituted Court in India having effect at the place where the head office of the subsidiary bank is situate:

Provided nevertheless that in any case where the Board shall in its absolute discretion think fit, it shall be lawful for the Board to dispense with the production of a succession certificate, letters of administration or such other legal representation upon such terms as to indemnity or otherwise as it may think fit.

(2) Subject to the provisions of the Act and these regulations, any such person becoming entitled to a share of a subsidiary bank in consequence of the death of a shareholder and any person becoming entitled to a share in consequence of the insolvency, bankruptcy or liquidation of a shareholder shall, upon production of such evidence as the Board may require, be entitled:

(a) to be registered as a shareholder in respect of the share upon his satisfying the Board in the same manner as if he were the proposed transferee regulation 14 that he is qualified to be registered as a shareholder; or

(b) to make such transfer of the share as the person from whom he derives his title, could have made.

16. Shareholder ceasing to be qualified for registration. (1) It shall be the duty of any person registered as a shareholder of subsidiary bank, whether alone or jointly with another or others, forthwith upon ceasing to be qualified to be so registered in respect of any share to give intimation thereof to the Board.
(2) The Board at any time cause such enquiries to be made as it shall deem fit for the purpose of ascertaining whether any person registered as shareholder of the subsidiary bank whether alone or jointly with another or others, is not or has ceased to be, qualified to be so registered in respect of any share and upon being satisfied that any such person is, contrary to the provision of sub-section (1) of section 19 of the Act, registered, by inadvertence or otherwise, in respect of any shares held by him whether in his own name or jointly with another person or persons so as to make such total holdings in excess of the total nominal value of twenty thousand rupees, it shall determine which of such shares shall be deemed to constitute such excess and shall inform the shareholders or, where such excess is held jointly, each of the joint shareholders, that in accordance with section 19 of the Act he is, and in the case of joint holders they are, not entitled to the payment of any dividend on any such share not to exercise any of the rights of a shareholder otherwise than for the purpose of the transfer of such share and shall make an entry in the register to that effect.

(3) A determination by the Board under sub-regulation (2) shall be conclusive.

CHAPTER III

MEETINGS OF SHAREHOLDERS

17. Notice convening a general meeting. Subject to the provisions of sub-section (3) of section 44 of the Act,

(1) A notice convening a general meeting of the shareholders of a subsidiary bank signed by the chairman or the managing director of the bank shall be published at least twenty-eight days before the date of the meeting in the Gazette of India and also in at least two principal daily newspapers circulating at the place where the head office of the subsidiary bank is situate.

(2) Every such notice shall state the time, date and location of such meeting, and also the business that shall be transacted at the meeting.

18. Special general meeting. (1) The Board may at any time and shall, if a requisition for such a meeting has been received from either the State Bank or other shareholders holding shares carrying, in the aggregate, not less than 20 per cent of the total voting rights of all the shareholders, convene or cause to be convened, a special general meeting of shareholders.

(2) The requisition referred to in sub-regulation (1) shall state the purpose for which the special general meeting is required to be convened, and may consist of several documents in like from each signed by one or more of the requisitionists.

(3) The time, date and location of a general meeting shall be decided by the Board:

Provided that a special general meeting convened on requisition shall be convened not later than three months of the receipt of the requisition.

19. Business at general meetings. (1) No business other than that specified in sub-section (2) of section 44 of the Act shall be transacted or discussed at the annual general meeting, except with the consent of the chairman or other person presiding at the meet-
ing, unless not less than six weeks' notice of the same has been given to the chairman or the [managing director] of the subsidiary bank either by the State Bank or by at least ten other shareholders qualified to vote at the meeting. Such notice shall take the form of a definite resolution to be put to the meeting, and shall be included in the notice of the meeting.

(2) Except with the consent of the chairman or other person presiding at the meeting, no business shall be transacted or discussed at any special general meeting, except the business for which the meeting has specifically convened.

20. Quorum at General meetings. No business shall be transacted at any meeting of the shareholders whether it is the annual general meeting or any special general meeting, unless a quorum of at least five shareholders consisting of the State Bank represented by a proxy or by a duly authorised representative and four other shareholders entitled to vote at such meeting in person or by proxy or by duly authorised representatives is present at the commencement of such business, and if within fifteen minutes from the time appointed for the meeting a quorum is not present, the chairman or other person presiding at the general meeting may dissolve the meeting or adjourn it to the same day in the following week at the same time and location, and if at such adjourned meeting a quorum is not present, the shareholders who are present in person or by proxy or by duly authorised representative shall form a quorum:

Provided that no annual general meeting shall adjourned to a date later than three months after the 31st December and if adjournment of the meeting to the same day following week would have this effect, the annual general meeting shall not be adjourned but the business of the meeting shall be commenced either as soon within one hour from the time appointed for the meeting as a quorum may be present, or immediately after the expiry of one hour from that time and those shareholders who are present in person or by proxy or by duly authorised representatives at such time shall form a quorum.

21. Chairman at general meetings. (1) The chairman or in his absence such one of the directors as may generally or in relation to any particular meeting be authorised by the chairman in this behalf shall preside at a general meeting, and in the absence of the chairman and the person so authorised and also filing any authorization the shareholders who are present in person or by proxy or by duly authorised representatives at the meeting may elect any other director to preside at the meeting.

(2) The person presiding at a general meeting shall regulate the procedure at the general meeting, and, in particular, shall have power to decide the order in which shareholders may address the meeting, to fix a time limit for speeches, to apply the closure when, in his opinion, any matter has been sufficiently discussed and to adjourn the meeting.

22. Persons entitled to attend general meetings. (1) All directors, [………..] the auditor for the time being and all shareholders of the subsidiary bank shall, subject to the provisions of sub-regulation (2), be entitled to attend a general meeting of that bank.

(2) A shareholder (other than the State Bank or a director of the subsidiary bank) attending a general meeting shall, for the purpose of identification and determine his voting rights be required to sign and deliver to the subsidiary bank a form to be specified by the [managing director] containing the following particulars:

(a) his full name and registered address;
(b) the denoting numbers of his shares;
(c) whether he is entitled to vote and the number of votes to which he is entitled in person or as proxy or as a duly authorised representative.

23. Voting at general meetings. (1) Save as otherwise provided in section 31 of the Act, every matter submitted to a general meeting of a subsidiary bank shall be decided by a majority of votes.
(2) A declaration by the person presiding at a general meeting of a subsidiary bank that a resolution has been carried or rejected thereat upon a show of hands by those shareholders present who are entitled to vote on the resolution shall be conclusive, and an entry to that effect in the book of proceedings of the subsidiary bank shall be sufficient evidence of that fact, without proof of the number or proportion of the votes recorded in favour of, or against, such resolution, unless, immediately on such declaration, a poll be demanded in writing on behalf of the State Bank or by at least four other shareholders present and entitled to vote at the meeting.
(3) If a poll be duly demanded, it shall be taken either at once or at such time and location and either by open voting or by ballot as the person presiding at the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. At such poll, voting shall be either in person or by proxy or by duly authorised representative, and the shareholders shall be entitled to exercise the voting rights, referred to in regulation 25.
(4) The decision of the person presiding at the meeting as to the qualification of any person to vote, and also in the case of a poll, as to the number of votes any person is competent to exercise shall be final.

24. Minutes of general meetings. (1) A subsidiary bank shall cause the minutes of all proceedings of general meetings to be entered in books kept for that purpose.
(2) Any such minute, if purporting to be signed by the person presiding at the meeting at which the proceedings were held, or by the person presiding at the next succeeding meeting, shall be evidence of the proceedings.
(3) Until the contrary is proved, every general meeting in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called and held, and all proceedings held thereat to have been duly held.

CHAPTER-IV
VOTING RIGHTS OF SHAREHOLDERS

25. Determination of voting rights. (1) Subject to the provisions contained in section 19 of the Act, each shareholder of a subsidiary bank who has been registered as a shareholder for a period of not less than three months prior to the date of a general meeting of that subsidiary bank shall be entitled to vote on every resolution placed before the meeting.
(2) Every shareholder entitled to vote as aforesaid who, not being a company, is present in person or by proxy or who being a company is present by a duly authorized representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him.
26. Voting by duly authorised representative. (1) A shareholder of a subsidiary bank, being a company, may by a resolution or a power of attorney authorize any of its officials or any other person to act as its representative at any general meeting of the shareholders of the subsidiary bank and the person so authorised (referred to as a “duly authorised representative” in these regulations) shall be entitled to exercise the same powers on behalf of the company which he represents, as if he were an individual shareholder of the subsidiary bank. The authorization so given may be in favour of two persons in the alternative and in such a case any one of such persons but not both may act as the duly authorised representative of the company.

(2) A person acting in pursuance of an authorization given under this regulation shall not be deemed to be a proxy.

(3) No person may attend or vote at any meeting of the shareholders of a subsidiary bank as a duly authorised representative of a company unless, not less than four clear days before the date fixed for the meeting,

(a) a copy of the resolution, appointing him as a duly authorised representative certified to be a true copy by the person presiding at the meeting at which it was passed, shall have been deposited, or

(b) the power of attorney has been registered, at the head office of the subsidiary bank.

(4) An appointment of a duly authorised representative shall, after the deposit of a certified copy of the resolution as aforesaid, be irrevocable for the meeting for which it is made and shall revoke any proxy previously deposited for such meeting by the company.

27. Voting by duly authorised representative precludes voting by proxy. No shareholder of subsidiary bank, being a company, shall vote by proxy so long as a resolution or a power of attorney referred to in regulation 26 authorizing any of its officials or any other person to act its duly authorised representative at any general meeting of that subsidiary bank shall be in force.

28. Proxies. (1) No instrument of proxy shall be valid unless in the case of an individual shareholder it is signed by him or by his attorney duly authorised in writing, or in the case of joint holders, it is signed by the shareholder first named in the share register or his attorney duly authorised in writing or in the case of a company it is executed under its common seal, if any, or signed by its attorney duly authorised in writing:

Provided that an instrument of proxy shall be deemed to be sufficiently signed by any shareholder, who is, for any reason, unable to write his name, if his mark is affixed thereto and attested by a Judge, Magistrate, Justice of the Peace, Registrar or Sub-Registrar of Assurances, or other Government Gazette officer or an officer of the State Bank or the subsidiary bank.

(2) No person shall be appointed as a proxy unless he is entitled to attend the general meeting otherwise than as a proxy, provided that this sub-regulation shall not apply to a proxy appointed by a company.

(3) No proxy shall be valid unless it is duly dated and stamped and unless it, together with the power of attorney or other authority (if any) under which it is signed, or a copy of that power of authority certified by a notary public or a Magistrate or in case a power of attorney which is previously deposited and registered with the head office of the subsidiary bank, certified by the [managing director] of that bank or any other officer of that bank authorized by the [managing director] in this behalf, is deposited at the head
office of the subsidiary bank not less than 4 clear days before the date fixed for the meeting.

(4) No instrument of proxy shall be valid unless it is in the following form and dated, namely:-

STATE BANK OF ________ *
I/We, __________ of __________ being (a) shareholder(s) of the State Bank of ________* holding shares Nos______ on the share register do hereby appoint ______ of ______ (or falling him____ of ______) as my/our proxy to vote for me/us and on my/our behalf at a meeting of the shareholders of the State Bank of ________* to be held at ________ on the ______ day of ______ and at any adjournment thereof.
Dated this________ day of______

* Here enter the name of the subsidiary bank.

(5) An instrument of proxy so deposited shall be irrevocable-

(i) Unless on or before the last day for the deposit of proxies there shall have been deposited at the head office of the subsidiary bank a notice in writing under the hand or common seal of the grantor specifically stating-

(a) the name of the person in whose favour the instrument was granted ;

and

(b) that such instrument is revoked ; or

(ii) unless the same is deemed to be invalid under sub-regulation (6).

In the case of an instrument of proxy granted in favour of two grantees in the alternative, it shall not be necessary to mention in the notice of revocation the name of the second or alternative grantee provided that the notice is otherwise sufficient to identify beyond doubt the instrument of proxy which it is intended to revoke.

(6) If two or more instruments of proxy in respect of the same shares shall be deposited and if on or before the last day for deposit of proxies all but one of such instruments of proxy shall not have been duly revoked in accordance with the procedure laid down in sub-regulation (5), all such instruments of proxy shall be deemed invalid.

(7) The due revocation of an instrument of proxy shall in no way prevent the deposit of another valid instrument of proxy in respect within the time specified in sub-regulation (3).

(8) The grantor of an instrument of proxy which has become irrevocable under this regulation shall not be entitled to vote in person at the meeting to which such instrument relates.

29. Appointment of an employee of the subsidiary bank as duly authorised representative or proxy invalid. No person who is an officer or an employee of a subsidiary bank may be appointed as a duly authorized representative or a proxy in respect of a general meeting of that bank.

CHAPTER V
ELECTION OF DIRECTORS
30. Directors to be elected at general meeting. (1) The election of a director by the shareholders of a subsidiary bank shall take place at a general meeting of the shareholders of the subsidiary bank.
(2) Where at any general meeting of the shareholders of a subsidiary bank an election of a director is to be held, the notice of such election shall be included in the notice convening the meeting. Every such notice shall also specify the number of directors to be elected, and the particular vacancies in respect of which the election is to be held.

31. List of shareholders. (1) For the purpose of election of a director of a subsidiary bank under clause (d) of sub-section (1) of section 25 of the Act, there shall be prepared a list of shareholders entered in the share register of that subsidiary bank.
(2) Such list shall contain the names of the shareholders, their registered addresses the number and denoting numbers of shares held by them with the dates on which the shares were registered and the number of votes to which they will be entitled to on the date fixed for the meeting at which the election will take place and copies of the list shall be available for purchase at least three weeks before the date fixed for the meeting at a price of one rupee per copy, on application at the head office of the subsidiary bank.

32. Nomination of candidates for election. (1) No candidate for election as a director of a subsidiary bank shall be validly nominated unless:
   (a) he is, on the last date for receipt of nominations not disqualified to be a director under section 27 of the Act;
   (b) the nomination is in writing signed by at least two shareholders qualified to vote or by their duly constituted attorneys, provided that a nomination by a shareholder which is a body corporate may be made by a resolution of the directors of the said body corporate and where it is so made, a copy of the resolution certified to be a true copy by the person presiding at the meeting at which it was passed shall be dispatched to the head office of the subsidiary bank and such copy shall be deemed to be a nomination on behalf of such body corporate;
   (c) the nomination paper contains a declaration signed by the candidate before a Judge, Magistrate, Justice of the Peace, Registrar or Sub-Registrar of Assurances, or other Government Gazette officer or an officer of the State Bank or the subsidiary bank, that he accepts the nomination, and is willing to stand for election, and that he is not disqualified to be a director under section 27 of the Act.
(2) No nomination shall be valid unless it is received, with all the connected documents or papers, in the head office of the subsidiary bank on a working day not less than 14 clear days before the date fixed for the meeting.

33. Publications of list of candidates. (1) On the first working day following the last date fixed for the receipt of nominations, the same shall be taken into consideration by the [managing director]. The [managing director] shall after such enquiry, if any, as he thinks necessary, satisfy himself in regard to the provisions of regulation 32 and shall accept or reject the nomination of each candidate as may appear to him to be justified, and in the case of rejection shall briefly record his reasons for so doing. The decision of the [managing director] that the nomination is valid or invalid shall, subject to the result of any reference under regulation 35, be final. If there is only one valid nomination for any particular vacancy to be filled by election, the candidate validly nominated for such vacancy shall be deemed to be elected at the meeting convened for the purpose,
and his name and address shall be published as so elected. In such an event there shall not be any election at the meeting and if a meeting had been called solely for the purpose of the aforesaid election, the meeting shall stand cancelled, if the number of valid nominations for any particular vacancy exceeds one, the [managing director] shall cause to be published the names and addresses of candidates validly nominated for such vacancy.

(2) All notices in pursuance of sub-regulation (1) shall be published in the Gazette of India and in at least two principal daily newspapers circulating at the place where the head office of the subsidiary bank is situate.

(3) The [Managing Director] shall send a copy of every notice issued by him to the Chairman forthwith.

34. Assumption of office by the elected candidate. A director elected to fill an existing vacancy shall be deemed to have assumed office from the date following that on which he is, or is deemed to be, elected.

35. Election disputes. (1) If any doubt or dispute shall arise as to the qualification or disqualification of a person deemed, or declared to be elected or as to the validity of the election of a director of a subsidiary bank, any person interested, being a candidate or shareholder entitled to vote at such election, may, within seven days of the date of the declaration of the result of such election, give intimation in writing thereof to the chairman through the [managing director] of the subsidiary bank and shall in the said intimation give full particulars of the grounds upon which he doubts or disputes the validity of the election.

(2) On receipt of an intimation under sub-regulation (1), the chairman shall forthwith refer such doubt or dispute for the decision of a committee consisting of himself, and the director of the subsidiary bank nominated pursuant to clause (b) of sub-section (1) of section 25 of the Act and one of the directors nominated pursuant to clause (c) of the sub-section of the subsidiary bank.

(3) Such committee shall make such enquiry as it deems necessary and if it finds that the election was a valid election, it shall confirm the declared result of the election or, if it finds that the election was not a valid election, it shall make such order and give such directions including the holding of a fresh election as shall in the circumstances appear just to the committee.

(4) An order and direction of such committee in pursuance of this regulation shall be conclusive.

CHAPTER VI

BOARD, ITS EXECUTIVE COMMITTEE AND OTHER COMMITTEES

36. Meetings of the Board. (1) Meetings of the Board shall be convened by the chairman, or subject to any direction that may be given by him, by the [managing director] of the subsidiary bank, at least six times in each year and at least once in each quarter.

(2) [Any three other directors] not being officers of the State Bank may require the chairman to convene meeting of the Board at any time, and the chairman shall, on receipt of the requisition, convene a meeting of the Board giving sufficient notice, provid-
ed that the date of the meeting so convened shall not be later than 21 days from the date of the receipt of the requisition.

(3) Meetings of the Board shall be held at the head office of the subsidiary bank, or at such other place as may be specified in the notice convening the meeting.

(4) Ordinarily not less than 15 days notice shall be given of each meeting of the Board, and such notice shall be sent to every director at his registered address. Should it be found necessary to convene an emergency meeting, sufficient notice shall be given to every director in India to enable him to attend.

(5) No business other than that for which the meeting was convened shall be discussed at a meeting of the Board except with the consent of person presiding at the meeting and a majority of the directors present, unless one week’s notice has been given of the same is writing to the [managing director].

(6) Four directors, of whom one shall be the chairman or an officer of the State Bank being a director of the subsidiary bank nominated under clause (c) of sub-section (1) of section 25 of the Act, shall form a quorum for the transaction of business.

(7) A copy of the proceedings of each Board meeting shall be circulated as soon as possible thereafter for the information of the directors, and shall be signed by the person presiding at that or the next succeeding meeting.

37. Resolution without meeting of the Board valid. (1) A resolution of the Board in writing signed by a majority of the directors of the Board shall be valid and effectual, and shall be deemed to be the resolution passed by the Board on the date on which it is signed by the last signatory to the resolution:
Provided that if any dissenting director in writing requires that any resolution so passed shall be placed before a meeting of the Board, the resolution shall not be deemed to be valid and effectual, as aforesaid, unless the same is passed at such meeting.

(2) Nothing in sub-regulation (1) shall apply to a resolution in respect of any matter relating to the making of loans or advances or the discounting or purchasing of bills by a subsidiary bank.

38. Constitution and powers of the Executive Committee. (1) The executive committee in respect of a subsidiary bank shall consist of-
   (a) the Managing Director of the subsidiary bank appointed under sub-section (1) of section 29 of the Act or section 32 of the Act;
   (b) three directors nominated under clause (c) of sub-section (1) of section 25 of the Act of whom not more than two shall be officers of the State Bank; and
   (c) one director elected under clause (d) of sub-section (1) of section 25 of the Act:

Provided that the chairman and director nominated under clause (b) of sub-section (1) of section 25 of the Act may attend any meeting of the executive committee and the chairman or such director shall be deemed to be a director on the executive committee for the meeting which he so attends.

(2) Notwithstanding anything in sub-regulation (1) any of the directors not referred to in that sub-regulation shall also be entitled to attend the meeting of the executive committee and shall be deemed to be a director on the executive committee for the meeting which he so attends, but he shall not be entitled to be paid any fees for attending the meeting or be reimbursed his traveling or halting expenses in connection with the work
at the meeting [unless he has been specifically requested by the subsidiary bank to attend such meeting or such payment is specially authorised by the Board.]
(3) The directors referred to [in (b) and (c) of sub-regulation (1)] shall be nominated by the State Bank to serve on the executive committee for one year at a time.
(4) In the exercise of its powers, the executive committee shall be bound by such general or special directions as the Board may, consistently with the Act and these regulations, give from time to time, but subject to any such direction, the executive committee may transact all the current business of the subsidiary bank.
(5) If any question arises as to whether a matter relates to a current business of the subsidiary bank, the decision of the person presiding at the meeting shall be final.

39. Meetings of the Executive Committee. (1) Meeting of the executive committee shall be held at least once a month, sufficient notice being given to the directors on the executive committee to attend the meeting.
(2) Three directors, of whom one shall be the chairman, or a director being an officer of the State Bank nominated under clause (c) of sub-section (1) of section 25 of the Act, shall form a quorum for the transaction of business.
Provided that it at any time the number of directors interested or concerned within the meaning of sub-section (5) of section 34 of the Act exceeds or is equal to two, the number of the remaining directors (that is to say, the number of the directors who are not so interested or concerned) shall form the quorum during such time so however that at least two directors entitled to vote are present during such time.
(3) The provisions of the Act and, save as otherwise provided in this regulation, of these regulations shall apply to the meetings of the executive committee as if they were meetings of the Board.

40. Other committees. (1) The constitution of other committees, the powers and functions of such committees and the conduct of business in such committees shall be such as may be laid down by the Board from time to time in relation to any subsidiary bank.
(2) The minutes of the meeting of every such committee shall be laid before the executive committee or the Board of the subsidiary bank as soon as possible after each meeting.

CHAPTER-VII

MANAGING DIRECTOR

41. Delegation to the Managing Director. (1) The Managing Director shall have the power to transact all the current business of the subsidiary bank which may be transacted by the executive committee, if in the opinion of the Managing director action cannot be deferred until the next executive committee meeting, or until the obtaining of the decision of the executive committee by circulation of a resolution, provided that such action shall be reported to the executive committee at its next meeting.
(2) Without prejudice to the foregoing power, the [managing director] shall be authorised-
(a) to exercise the powers and perform the duties entrusted, or delegated, to him by any regulation or rule made by the Board, or, by any order or resolution of the Board or its executive committee or by any power of attorney issued in his favour by the Board
or its executive committee subject, in each case, to the restrictions, if any, contained in
the said regulation, rule, order, resolution or power of attorney; and
(b) generally to do all such acts or things as may be incidental to, or consequen-
tial upon, the exercise of the said powers or the performance of such duties.
(3) If the office of the managing director is vacant, for the time being, the powers and
duties of the managing director under sub-regulations (1) and (2) shall, until a manag-
ing director has been appointed, be exercised or performed by such director or officer
of the subsidiary bank, as the State Bank may appoint in this behalf.

CHAPTER-VIII

FEES AND ALLOWANCES OF DIRECTORS

42. Fees of directors. A director of a subsidiary bank not being an officer of Government,
the Reserve Bank, the State Bank (..........), shall be entitled to be paid fees by the
subsidiary bank as follows:-
(a) For attending meetings of the Board Rs.150/- for each meeting.
(b) For attending meetings of the executive committee of the subsidiary bank
Rs.75/- for each meeting.
(c) For attending meetings of any other committee or to any other work of the
subsidiary bank Rs.75/- for each meeting.

43. Travelling and halting allowances of directors. (1) In addition to the fees to which a
director of a subsidiary bank may be entitled under regulation 42, every such director
traveling in connection with the work of the subsidiary bank shall be reimbursed his
traveling and halting expenses, if any, on such basis as may be fixed by the State Bank
from time to time.
(2) A director who is an officer of Government, the Reserve Bank, the State Bank [....]
shall be reimbursed his traveling and halting expenses in accordance with the rules ap-
pllicable to him.

CHAPTER-IX

ADVANCES, Discounts, INVESTMENTS AND ACCOUNTS

44. Order under section 37 and State Bank's powers not affected. The provisions of this
Chapter shall have effect subject to-
(i) any order issued by the Central Government under sub-section (2) of section
37 of the Act; and
(ii) any directions and instructions given by the State Bank under the provisions
of the Act and these regulations.

45. Conditions and requirements as to advances etc. A subsidiary bank shall not-
(a) except on an approved security, discount or purchase bills or lend or advance
in excess of such amount as the State Bank may fix in that behalf;
(b) discount or purchase or lend or advance on the security of any negotiable in-
strument of any individual or partnership firm including Joint Hindu Family firm, paya-
ble at the place where it is presented for such discount, purchase, loan or advance if it does not carry on it the several responsibilities of at least two persons or firms unconnected with each other in general partnership and each of whom is good for the amount of the negotiable instrument;

(c) discount or purchase or lend or advance on the security of any negotiable instrument or security (not being an approved security or an instrument or security in which a trustee may invest trust money under section 20 of the Indian Trusts Act, 1882) which does not mature within fifteen months from the date of such discount, purchase, loan or advance if the instrument or security is drawn or issued for the purpose of financing seasonal agricultural operations and within six months from the date aforesaid if the instrument or security is drawn or issued for any other purpose; and

(d) make a loan or advance for a period longer than twelve months except as otherwise provided in these regulations.

46. Special provisions. Nothing contained in regulation 45 shall apply to-

(a) accounts of customers being overdrawn to such extent, with or without security, as the State Bank may fix;

(b) the making of loans or advances to
   
   (i) a district board, municipal committee or other local authority established by or under any law for the time being in force in India for any period that may be fixed in that behalf by the State Bank;
   
   (ii) [* * * * *]
   
   (iii) persons engaged in, or in the financing of, hire purchase transactions, upon such security as may be approved by the State Bank in that behalf, for any period not exceeding twenty-four months; and
   
   (iv) such person for such purposes upon such security and on such terms as the State Bank may specify from time to time.

Provided that in cases where the amount of the loan or advance exceeds. One lakh of rupees, the State Bank shall specify such persons, purposes, security and terms with the approval of the Reserve Bank].

[(bb) the making of loans or advances to, or the discounting or purchasing of negotiable instruments on behalf of or from, persons engaged in such industries, business or trade or classes of industries, business or trade on such terms and conditions and upon such security as may be approved in that behalf by the State Bank, provided that such loans or advances are for, and such negotiable instruments mature within, periods not exceeding fifteen years.]

(c) the discounting or purchase of bills, or the lending or advancing of moneys in renewal of, or in settlement or compromise of, the liabilities under or in respect of bills discounted or purchased of loans or advances made, before the appointed day.

47. Advances to be reported to State Bank. (1) Any loan or advance granted or renewed or any bill discounted which makes the borrower’s total indebtedness to the subsidiary bank without security or against any security exceed the amount fixed in this behalf by the State Bank shall be immediately reported to the State Bank.
(2) For the purpose of this regulation, indebtedness to the subsidiary bank shall be deemed to include the maximum drawing powers sanctioned on fluctuating accounts and the maximum limits sanctioned for the discount of documentary bills, even though the actual drawing powers or bills discounted are less than the maximum drawing powers and limits sanctioned.

48. **Advances to directors and officers of the bank.** (1) Save on an approved security, no loan or advance shall be made by a subsidiary bank to-

   (a) any of its directors or officers holding such appointments as are specified by the Board as senior staff appointments or

   (b) to companies, firms or individuals with which or with whom such directors of officers are connected as partners, directors or managers, except on such terms and conditions as the State Bank may, on the recommendation of the subsidiary bank, specify from time to time.

(2) No loan or advance shall be granted to any officer or employee of the bank other than those referred to in sub- Regulation (1) without the specific sanction in each case of the Executive Committee of the subsidiary Bank if such loan or advance is not granted in accordance with the terms and conditions approved by the Board or the Executive Committee or is not granted against an approved security.

49. **Approval of the State Bank necessary to investment in shares and debentures.** A subsidiary bank shall not invest its funds in shares and debentures of any company with limited liability without the approval of the State Bank in excess of such amount and on such terms and conditions as the State Bank may specify from time to time.

50. **Directors to notify the names of companies in which they are interested.** Without prejudice to the provisions of sub-section (5) of section 34 of the Act, every director shall notify to the [managing director] of the subsidiary bank the names of the companies in which he is interested and shall also declare the fact at any time a loan or advance to any of the said companies is being considered.

51. **Contracts and arrangements with interested directors.** Save as otherwise provided in the Act or these regulations, no contract or arrangement (other than any contract or arrangement by a subsidiary bank in the ordinary course of its banking business) in which a director is directly or indirectly concerned or interested shall be entered into by, or on behalf of, a subsidiary bank except with the approval of the State Bank.

52. **Deleted.** ( *** )

53. **State Bank's approval may be general or specific.** Where under the provisions of this Chapter any limit has to be fixed by the State Bank or the approval of the State Bank is necessary to any proposal, arrangement or investment or to the granting of a loan or advance, or the discounting or purchase of bills, or to the terms and conditions thereof, such limit may be fixed or such approval may be given in relation to all or any of the subsidiary banks or with reference to any particular transaction or class of transitions or generally.
CHAPTER-X
MISCELLANEOUS

54. Manner and form in which contracts binding on the subsidiary bank may be executed.
(1) Contracts on behalf of a subsidiary bank may be made as follows:
   (i) any contract which, if made between private persons, would by law be required to be in writing signed by the parties to be charged therewith, may be made on behalf of the subsidiary bank in writing signed by any person acting under its authority, express or implied, and may in the same manner be varied or discharged;
   (ii) any contract which, if made between private persons, would in law be valid although made by parol only and not reduced to writing, may be made by parol on behalf of the subsidiary bank by any person acting under its authority, express or implied, and may in the same manner be varied or discharged.
(2) All contracts made according to the provisions of this regulation shall be effectual in law, and shall bind the subsidiary bank and all other parties thereto and their legal representatives.

55. Accounts, receipts and documents of subsidiary banks by whom to be signed.
(1) The [managing director] is hereby empowered, and such other officers or employees of a subsidiary bank as the Board may authorize in this behalf by notification in the Gazette of India are hereby empowered jointly or severally according as the said notification may specify, for and on behalf of the subsidiary bank, to endorse and transfer promissory notes, stock-receipts, stock-debentures, shares, securities and documents of title to goods, standing in the name of or held by the subsidiary bank, to draw, accept and endorse bills of exchange and cheques, to issue, confirm and transfer letters of credit, to sign guarantees and indemnities in the current and authorised business of the subsidiary bank, and to sign all other letters, advices, accounts, receipts and documents connected with such business or other current or authorized business of the subsidiary bank.
(2) Without prejudice to the provisions of sub-regulation (1), all powers of attorney and other authorisations issued by an existing bank in favour of any officer or other employee who becomes an officer or other employee of the corresponding new bank by virtue of section 11 of the Act shall continue to be in full force and effect as if, instead of the existing bank, the corresponding new bank had been a party to such powers of attorney or authorisations, and, accordingly, any such officer or other employee may exercise on behalf of the corresponding new bank such powers as he was exercising before the appointed day on behalf of the existing bank.
(3) Without prejudice to the provisions of sub-regulation (1), all powers of attorney and other authorizations issued by the Hyderabad Bank or the Saurashtra Bank in favour of any officer or other employee shall, until amended, modified or superseded, continue to be in full force and effect and, accordingly, any such officer or other employee may exercise on behalf of the Hyderabad Bank or the Saurashtra Bank such powers as he was exercising before the appointed day.

Explanation:— For the purposes of this regulation, all powers of attorney and other authorisations issued by the Hyderabad State Bank and continuing to be in force and effect under sub-regulation (2) of regulation 23 of the State Bank of Hyderabad General Regulations, 1956, shall be deemed as powers of attorney and other authorisations issued by the Hyderabad Bank.
56. **Plaints, etc. by whom to be signed.** Plaints, written statements, petitions, and applications may be signed and verified, affidavits may be sworn or affirmed, bonds may be signed, sealed and delivered and generally all other documents connected with legal proceedings may be made and completed on behalf of a subsidiary bank by the [managing director] of the subsidiary bank or by any officer or employee empowered by or under regulation 55 to sign documents for and on behalf of the subsidiary bank.

57. **Obligation to notify disqualifications of directors.** (1) If a director of a subsidiary bank becomes subject to any of the disqualifications set out in section 27 of the Act, he shall forthwith notify the fact as well as the date from which the disqualification became applicable to him, to the [managing director] of the subsidiary bank. 
(2) The [managing director] shall inform the State Bank as soon as it comes to his notice that any director of the subsidiary bank has become subject to any of the disqualifications specified in section 27 of the Act.

58. **The seal of a subsidiary bank.** (1) The common seal of a subsidiary bank shall not be affixed to any instrument except in the presence of at least two directors, who shall sign their names to the instrument in token of their presence, and such signing shall be independent of the signing of any person who may sign the instrument as a witness. Unless so signed, as aforesaid, such instrument shall be of no validity.

(2) Without prejudice to the generality of sub-regulation (1) the common seal of a subsidiary bank may be affixed to instrument of the following descriptions in connection with the business of the subsidiary bank, namely:-

(a) lease of office premises, godowns, houses and other property required in connection with the business of the subsidiary bank and surrenders and transfers of such leases;
(b) conveyances of property bought or sold by the subsidiary bank;
(c) instruments whereby any property is mortgaged to the subsidiary bank, conveyances on sale or by way of transfer of mortgage and reconveyances, surrenders and leases of such property.
(d) powers of attorney granted by the subsidiary bank;
(e) contracts of indemnity, suretyship or guarantee with specific security or otherwise and
(f) instruments of appointment or discharge of the subsidiary bank as trustee of any trust or connected with the administration of any estate in which the subsidiary bank is concerned as executor, trustee or otherwise.

59. **Service of notices to shareholders.** (1) Save as otherwise provided in these regulations, a notice may be given by the subsidiary bank to any shareholder either personally or by serving it by post to him to his registered address.
(2) Any notice required to be given by the subsidiary bank to the shareholders or any of them and not expressly provided for by these regulations, shall be sufficiently given if given by advertisement.
(3) Any notice sent by post shall be deemed to have been served on the third day following that on which the envelope or wrapper containing the same is posted, and in proof of such service it shall be sufficient to prove that the envelope or wrapper containing the notice was properly addressed, prepaid and put into post office, and a certificate in
writing signed by an employee of the subsidiary bank that the envelope or wrapper containing the notice was so addressed, prepared and posted shall be conclusive evidence thereof. Any notice given by advertisement shall be deemed to have been given on the day on which the advertisement first appeared.

(4) Any notice given in accordance with the foregoing provisions shall be deemed to have been duly given notwithstanding that the shareholder be then deceased and whether or not the subsidiary bank had notice of his decease and shall in that event be deemed to be a notice to his legal representative.

(5) All notices with respect to any registered shares to which persons are jointly entitled shall be given to whichever of such persons is named first in the register and the notice so given shall be sufficient notice to all the holders of said shares.

(6) The signature to any notice to be given by the subsidiary bank may be written, typed or printed.

60. Service of notice on a subsidiary bank. A notice may be served on a subsidiary bank by leaving it at, or sending it by registered post to, the head office of the subsidiary bank.

61. Payment of dividend. (1) An account of the profits of the subsidiary bank shall be taken [as on] the thirty first day of December every year and a dividend, if any, shall be declared and paid, as soon as conveniently may be, thereafter. The Board may from time to time declare and pay or authorise the payment of such interim dividends as appear to it to be justified.

(2) No dividend shall carry interest as against the subsidiary bank.

(3) Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends in respect of such share.

(4) Dividend shall be paid by cheque or warrant on the Head Office of the subsidiary bank and shall be sent through post to the registered address of the shareholder entitled, or in the case of joint holders to the registered address of the one whose name stands first on the register in respect of the joint holding, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

(5) The subsidiary bank shall not make payment of a dividend to any person not entitled thereto under the Act or these regulations, but shall retain the same and make payment thereof to the person who next becomes registered in respect of the shares on which such dividend is payable, and is not disentitled under the Act or these regulations to receive it.

62. Exercise of powers and functions on behalf of the State Bank. The powers, duties or functions, conferred, imposed or entrusted on or to the State Bank under the Act, may be exercised or performed by the chairman and subject to such conditions and limitations as the chairman may specify, by the managing director and such other officer of the State Bank as the chairman may appoint in this behalf.

*****
THE STATE BANK OF HYDERABAD ACT, 1956
THE STATE BANK OF HYDERABAD ACT, 1956

(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.

CHAPTER I
PRELIMINARY

1. Short title and commencement.-
(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 .

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 renamed under sub-section (1) of section 3, as the State Bank of Hyderabad;
(c) "Hyderabad State Bank" means the Hyderabad State Bank constituted and incorporated under the Hyderabad State Bank Act, 1350 F (19 of 1350 F);
(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 );
(f) 1[ "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955 )]

CHAPTER II
RENAMING OF THE HYDERABAD STATE BANK AND TRANSFER OF ITS SHARE CAPITAL TO THE RESERVE BANK

3. Change of name of Hyderabad State Bank.-
(1) On the appointed day, the body corporate constituted by the Hyderabad State Bank Act, 1350 F (19 of 1350 F), and known as the Hyderabad State Bank shall be renamed as the State Bank of Hyderabad 2[***].
(2) 1[ The said body corporate shall consist of the State Bank and other shareholders, if any, for the time being, of the Hyderabad Bank.

1 Inserted by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Part VII (1-10-1959).
2 Words “and shall, as from that day, carry on the business in accordance with the provisions of this Act and shall have power to acquire and hold property, whether movable or immovable for the purpose of this Act and to dispose of the same” were omitted by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).
(2a) The Hyderabad Bank shall carry on the business of banking and other business in accordance with the provisions of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), and shall have power to acquire and hold property, whether movable or immovable, for the purposes of its business and to dispose of the same.

(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.

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 branch or establish any new branch except in consultation with the State Bank and with the approval of the Reserve Bank.

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.

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 shareholder 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, 1350 F (19 of 1350 F), 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, authorize 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.

1 Substituted for sub-section (2), ibid.
2 Substituted for the words “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” by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).
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.

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 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.

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 authorizations 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
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 renaming 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.

CHAPTER III

CAPITAL OF THE HYDERABAD BANK

9. [Authorized 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 certificate 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.]

10. Issued capital.-

(1) The issued capital of the Hyderabad Bank shall, on the day on which the amendments to this Act made by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), take effect, be of such amount as the State Bank, with the approval of the Reserve Bank, may fix in this behalf, so however that the amount shall be so fixed as to consist only of fully paid-up shares of one hundred rupees each.

[(1A) 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.]

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1 Substituted for former section 9 by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act 30 2007), section 4 (9.7-2007). The Section before amendment was “9. Authorised capital.- (1) The authorised capital of the Hyderabad Bank shall be one crore of rupees, divided into shares of one hundred rupees each."

2 Substituted for former section 10 by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).

3 The said amendments came into force with effect from 1st October, 1959.

(2) All shares in the issued capital of the Hyderabad Bank shall, on that day, vest in the State Bank.

1[(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.

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

(3B) 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.

(3C) 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 percent of the issued capital consisting of equity shares of the Hyderabad Bank.

(3D) 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).]

(4) The State Bank shall, as soon as may be, after the determination, if any, of the amount of compensation by the Tribunal under the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), consider whether any increase or reduction of the issued capital of the Hyderabad Bank as fixed under sub-section (1) by way of adjustment by transfer from, or to, the reserves of the Hyderabad Bank or in any other manner, is necessary, expedient or appropriate and may, thereafter, with the approval of the Reserve Bank, direct the Hyderabad Bank to increase or reduce its issued capital.}
CHAPTER IV

MANAGEMENT OF THE HYDERABAD BANK

11 to 23. –(Repealed) \(^1\)[***]

CHAPTER V

BUSINESS TO BE CARRIED ON BY THE HYDERABAD BANK

24, 25 and 26.- (Repealed) \(^2\)[***]

CHAPTER VI

RESERVE FUND ACCOUNT AND AUDIT

27. \(^3\)[Reserve Fund.-]

(1) The reserve fund of the Hyderabad Bank shall, subject to the provisions of sub-section (4) of section 10, and sub-section (2) of this section, consist of--

(a) on the day on which the amendments to this Act made by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), take effect, such sum as the State Bank, with the approval of the Reserve Bank, may determine; and

(b) after that day, the sum aforesaid together with such further sums as may be transferred to the reserve fund by the Hyderabad Bank out of its annual net profits before declaring a dividend.

(2) The State Bank shall, as soon as may be after the determination, if any, of the amount of compensation by the Tribunal, under the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) consider whether any increase or reduction of the reserve fund of the Hyderabad Bank is necessary by way of adjustment by transfer from or to any account or towards provision for bad and doubtful debts, depreciation in assets, or contingencies or for any other purpose and may thereafter, with the approval of the Reserve Bank, direct the Hyderabad Bank to so increase or reduce its reserve fund.]

\(^1\) Repealed by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).

\(^2\) Repealed by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).

\(^3\) Substituted for former section 27 by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).
28 to 31. (Repealed) ¹[***]

CHAPTER VII

MISCELLANEOUS

32 to 40. (Repealed) ²[***]

41. Power of 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 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 for the session immediately following.

42. (Repealed) ³[***]

43. Amendment to certain enactments.- (Omitted) ⁴[***]

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 in any general or spe-

¹ Repealed by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).
² Repealed by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).
⁴ Repealed by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).
⁵ Omitted by Act 38 of 1959, Section 64, Schedule III, Pt. VII (1-10-1959) and Repealed by the repealing and Amending Act, 1960 (58 of 1960), Section 2 and Schedule I (26-12-1960).
cial order made by the Central Government, be deemed to be a reference to the Hyderabad Bank.

45. (Repealed) [***]

46. Repeal and saving.- (Omitted) [***]

THE FIRST SCHEDULE

Declaration of fidelity and secrecy

THE SECOND SCHEDULE

1 Repealed by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).
2 Omitted by Act 38 of 1959, Section 64, Schedule III, Pt. VII (1-10-1959) and Repealed by the repealing and Amending Act, 1960 (58 of 1960), Section 2 and Schedule I (26-12-1960).
3 Repealed by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), Section 64 and Schedule III, Pt. VII (1-10-1959).
4 Omitted by Act 38 of 1959, Section 64, Schedule III, Pt. VII (1-10-1959) and Repealed by the repealing and Amending Act, 1960 (58 of 1960), Section 2 and Schedule I (26-12-1960).