

STATE BANK OF INDIA SUBSIDIARY BANKS ACT, 1959

PREAMBLE

An Act to provide for the formation of certain Government or Government associated banks

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:--

Section 1 - Short Title

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

Section 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, take effect under Part VII of the Third

Schedule;

[2](#)[***]

(b) "corresponding bank" means,--

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

[5](#)[***]

(iii) [Omitted by the State-Associated Banks (Miscellaneous Provisions) Act,

1962 (56 of 1962), Section 3 (1-1-1963):]

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

(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;

6[***]

(iii) [Omitted by the State-Associated Banks (Miscellaneous Provisions) Act,

1962 (56 of 1962), Section 3 (1-1-1963);]

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

(v) in relation to the 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;

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(iii) [Omitted by the State-Associated Banks (Miscellaneous Provisions) Act,

1962 (56 of 1962), Section 3(1-1-1963);]

(iv) Bank of Mysore, Limited;

(v) Bank of Patiala;

(vi) Tritvancore Bank, Limited;

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(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;

(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;

3[***]

(j) "State Bank" means the State Bank of India constituted under the State Bank of

India Act, 1955;

(k) "subsidiary bank" means any new bank and includes the Hyderabad Bank 4[***]

(1) "Tribunal" means the Tribunal constituted under section 15.

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

1. Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 20 w.e.f. 1-7-1974.

2. Omitted by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009

w.e.f. 01.06.2010 previous text was :-

"(iv) in relation to me Saurashtra Bank, the date on which the amendments to the Saurashtra State Banks

(Amalgamation) Ordinance, 1950, take effect under Part V of the Third Schedule:"

3. Omitted by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009

w.e.f. 01.06.2010 previous text was :-

"(i) "Saurashtra Bank" means the State Bank of Saurashtra constituted under the Saurashtra State Banks

(Amalgamation) Ordinance, 1950;"

4. Omitted by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009

w.e.f. 01.06.2010 previous text was :-

"and the Saurashtra Bank."

5. Omitted by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 w.e.f. 01.06.2011 previous text was :-

"(ii) in relation to the State Bank of Indore, the Bank of Indore, Limited;"

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6. Omitted by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 w.e.f. 01.06.2011 previous text was :-

"(ii) in relation to the Bank of Indore, Limited, the State Bank of Indore;"

7. Omitted by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 w.e.f. 01.06.2011 previous text was :-

"(ii) Bank of Indore, Limited;"

Chapter II - CONSTITUTION OF NEW BANKS AND CHANGE OF NAME OF ANY SUBSIDIARY

BANK

CHAPTER II

1[CONSTITUTION OF NEW BANKS AND CHANGE OF NAME OF ANY SUBSIDIARY BANK]

1. Heading of Chapter II substituted and clause (c) omitted by the State -- Associated Banks

(Miscellaneous Provisions) Act, 1962 (56 of 1962). Section 3 w.e.f. 14-12-1962.

Section 3 - Establishment Or New Banks

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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 Bikaners;

2[***]

1[***]

(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.

1. Heading of Chap. II substituted and clause (c) omitted by the State - - Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962). Section 3 w.e.f. 14-12-1962.

2. Omitted by the State Bank of India (Subsidiary Banks) Amendment Act, 2011 w.e.f. 01.06.2011 previous text was :-

(b) the State Bank of Indore;

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Section 3A - Change Or Name Of A Subsidiary Bank

1[3A. Change Or 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. Inserted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 (56 of 1962),

Section 3 w.e.f. 14-12-1962.

Section 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 properly, whether

movable or immovable, for the purposes of its business and to dispose of the same.

Section 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.

Section 6 - Authorised Capital of New Banks

1[6. Authorised capital of new bank.-

(1) Subject to the provisions of this Act, the authorised capital of every new bank shall be

rupees five hundred crores.

(2) The authorised capital of every new bank shall be divided into shares of one hundred

rupees each or of such denomination as the new bank may, with the approval of the State

Bank, decide.

(3) Every new bank may issue the certificates of shares of equivalent values of such

denomination as the new bank may, decide, with the approval of the State Bank, in

accordance with the procedure as may be prescribed and every shareholder of the new bank

shall be entitled to have the certificate of shares of equivalent value of such denomination.

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(4) Notwithstanding anything contained in sub-section (1), the State Bank may, with the.

approval of the Reserve Bank, authorise a new bank to increase or reduce its authorised

capital.]

1. Substituted for the following by the State Bank of India (Subsidiary Banks Laws)

Amendment Act, 2007 (Act No. 30 of 2007).

"(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 denomination specified in sub-section (2)."

Section 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.

1[(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, with the approval of the Reserve

Bank, fix, and shall be divided into fully paid-up shares of such denomination in accordance

with sub-section (2) of section 6.]

(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.

2[(4) A new bank may from time to time, with the approval of the State Bank and the

Reserve Bank, increase, whether by public issue or by preferential allotment or private

placement in accordance with the procedure as may be prescribed, its issued capital by issue

of equity or preference shares.

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

shares:

Provided that the issue of preference shares shall be in accordance with the guidelines

framed by the Reserve Bank specifying the class of preference shares, the extent of issue of

each class of such preference shares (whether perpetual or irredeemable or redeemable) and

the terms and conditions subject to which, each class of preference shares may be issued.

(6) A new bank may, with the approval of the State Bank and the Reserve Bank, increase

from time to time by way of issuing bonus shares to existing equity shareholders, its issued

capital in such manner as the State Bank, with the approval of the Reserve Bank, direct.

(7) No increase or reduction in the issued capital of a new bank shall be made in such a

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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.]

1. Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act

No. 30 of 2007).

2. Substituted for the following by the State Bank of India (Subsidiary Banks Laws)

Amendment Act, 2007 (Act No. 30 of 2007)

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"(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"

Section 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.

Section 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.

Section 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.

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(2) The undertaking of the corresponding bank referred to in subsection (1) shall be deemed

to include all rights, powers, authorities and privileges and all property, 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.

Section 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

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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.

Section 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 ¹[managing director] for the time being of the corresponding new bank and the ¹[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 ¹[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 ¹[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.

²[(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,

(b) "existing bank" includes the Bank of Jaipur Limited.]

1. Substituted for the words "general manager" by the State Bank Laws (Amendment) Act,

1973 (48 of 1973), Section 21 w.e.f 1-7-1974.

2. Inserted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 [56 of 1962],

Section 3 w.e.f. 1-1-1963.

Chapter III - COMPENSATION

(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 ¹[managing director] for the time being of the

corresponding new bank and the ¹[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 ¹[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 ¹[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

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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.

2[(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,

(b) "existing bank" includes the Bank of Jaipur Limited.]

1. Substituted for the words "general manager" by the State Bank Laws (Amendment) Act,

1973 (48 of 1973), Section 21 w.e.f 1-7-1974.

2. Inserted by the State-Associated Banks (Miscellaneous Provisions) Act, 1962 [56 of 1962],

Section 3 w.e.f. 1-1-1963.

Section 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 shareholder may, before such

date as may be notified by the Central Government in the Official Gazette, 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

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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.

(8) 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.

(9) 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.

(10) 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.

(11) A warrant issued by the State Bank under sub-section (8) shall not be liable to duty

under the Indian Stamp Act, 1899.

(12) 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.

1(13) 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.]

1. Substituted for form sub-section (13) by the State Associated Banks (Miscellaneous

Provisions) Act, 1962(56 of 1962), Section 3 w.e.f. 1-1-1963.

Section 14 - Compensation Payable by the State Bank in Respect of the Bank of Patiala,

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Bank and the Hyderabad Bank

(1) The State Government of Punjab in respect of the Bank of Patiala 2[***] and the Reserve

Bank in respect of the Hyderabad Bank, shall be given, by reason of the provisions of this Act

or of the amendmerits contained in Pan 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, 3[***], or the Reserve Bank, as the

casemay be, in full satisfaction of the compensation payable under sub-section (1):

Provided that in determining the amount of compensation to be offered to the Suite

Government of Punjab 4[***], 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, 3[***] or the Reserve Bank as the vase

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 mailer accordingly.

(4) If, before the date notified under sub-section (3) the State Government of Punjab, 3[***]

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 sub-section

(1) and shall be final and binding on all parties concerned.

1(5) The amount of compensation shall be paid by a cheque drawn of the Reserve Bank.

1. Substituted for "State Government of Bombay" by the Bombay Reorganisation (Adaptation of Laws on Union Subjects)

Order, 1961 w.e.f. 1-5-1960.

2. Omitted by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009

w.e.f. 01.06.2010 previous text was :-

"the [State Government of Gujarat] in respect of the Saurashtra Bank"

3. Omitted by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009

w.e.f. 01.06.2010 previous text was :-

"the [State Government of Gujarat]"

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4. Omitted by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009

w.e.f. 01.06.2010 previous text was :-

"or the [State Government of Gujarat]"

Section 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 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.

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Section 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.

Section 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

(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.

Section 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.

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1. Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007

(Act No. 30 of 2007) for the words "fifty-five per cent, of the issued capital"

Section 18A - Right of registered shareholder to nominate

1[18A. 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.]

1. Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act

No. 30 of 2007)

Section 19 - Restriction on voting rights

2[19. Restriction on voting rights.-

No shareholder, other than the State Bank, shall be entitled to exercise voting rights in

respect of any shares held by him in excess of ten per cent. of the issued capital of the

subsidiary bank concerned:

Provided that the shareholder holding any preference share capital in the

subsidiary bank shall, in respect of such capital, have a right to vote only on

resolutions placed before such subsidiary bank which directly affect the rights

attached to his preference shares:

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

1. Substituted for the words 'in excess of five percent' by the Banking Laws (Miscellaneous

Provisions) Act, 1963 (55 of 1963), Section 30 w.e.f. 1-2-1964.

2. Substituted for the following by the State Bank of India (Subsidiary Banks Laws)

Amendment Act, 2007 (Act No. 30 of 2007)

"19 - Restriction On Individual Holdings.-

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(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 person¹ [in excess of

one per cent.] of the issued capital Of the subsidiary bank concerned."

Section 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, and the Banking Companies Act, 1949.

Section 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.

¹[Provided that nothing in this section shall apply to the shares held with a

depository.]

³[(2) Notwithstanding anything contained in sub-section (1), it shall be lawful for a

subsidiary bank to keep the register of shareholders in computer floppies or diskettes or any

other electronic form subject to such safeguards as may be prescribed.

(3) Notwithstanding anything contained in the Indian Evidence Act, 1872(1 of 1872), a copy

of, or extract from, the register of shareholders, certified to be a true copy under the hand of

any officer of the subsidiary bank authorised in this behalf shall in all legal proceedings, be

admissible in evidence.]

1. Inserted by Depositories Related Laws (Amendment) Act (8 of 1997) Section 6 (w.r.e.f.

15-1-97).

2. Renumbered by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007

(Act No. 30 of 2007)

3. Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act

No. 30 of 2007)

Section 21A - Register Of Beneficial Owners

1[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."]

1. Inserted by Depositories Related Laws (Amendment) Act (8 of 1997) Section 7 (w.r.e.f.

15-1-97).

Section 22 - Trusts Not To Be Entered On The Register

2[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.

1["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]

1. Inserted by Depositories Related Laws (Amendment) Act(8 of 1997) Section 8 (w.r.e.f.

15-1-97).

2. Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007

(Act No. 30 of 2007) for the words "Notwithstanding anything contained in section. 19, no

notice of any trust"

Chapter V - MANAGEMENT OF SUBSIDIARY BANKS

2[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.

1["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.

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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]

1. Inserted by Depositories Related Laws (Amendment) Act(8 of 1997) Section 8 (w.r.e.f.

15-1-97).

2. Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007

(Act No. 30 of 2007) for the words "Notwithstanding anything contained in section. 19, no

notice of any trust"

Section 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), 1[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, 2[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 if 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 renominated or reappointed to any
office in a subsidiary bank in accordance with the provisions of this Act.

1. Substituted by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009

w.e.f. 01.06.2010 previous text was :- "the Hyderabad Bank and the Saurashtra Bank"

2. Substituted by the State Bank of Saurashtra (Repeal) and the State Bank of India (Subsidiary Banks) Amendment Act, 2009

w.e.f. 01.06.2010 previous text was :- "the Hyderabad Bank or the Saurashtra Bank"

Section 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.

(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.

1. Substituted for the words "general manager" by the State Bank Laws (Amendment) Act, 1973(48 of 1973),

Section 21 w.e.f. 1-7-1974.

Section 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:--

4[(a) the Chairman for the time being of the State Bank, ex officio or an official of the

State Bank or of the subsidiary bank nominated by him as Chairman, with the approval of

the Reserve Bank;]

1[(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 relating

to regulation or supervision of commercial banks, to be nominated by 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:

2 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. I

1 (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.]

6 [(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 Government³[* *].

(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

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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,

⁷(* * *)

(4) An officer of ⁸(* * *) 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.

(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 in consultation with the

Reserve Bank.

1. Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). Section 22

w.e.f.1-7-1974.

2. Inserted by Banking Public Financial Institutions and Negotiable Instruments Laws

(Amendment) Act (66 of 1988), Section 18 w.e.f. 30-12-88.

3. Words "in consultation with the State Bank" Omitted, by Banking Public Financial

Institutions and Negotiable Instruments Laws (Amendment) Act(66 of 1988), Section 18

w.e.f 30-12-88.

4. Substituted for the following by the State Bank of India (Subsidiary Banks Laws)

Amendment Act, 2007 (Act No. 30 of 2007)

"(a) the chairman for the time being of the State Bank, ex officio;"

5. Substituted for the following by the State Bank of India (Subsidiary Banks Laws)

Amendment Act, 2007 (Act No. 30 of 2007)

"(b) an officer of the Reserve Bank, to be nominated by that Bank;"

6. Substituted for the following by the State Bank of India (Subsidiary Banks Laws)

Amendment Act, 2007 (Act No. 30 of 2007)

"(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;"

7. Omitted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act

No. 30 of 2007). Prior to omission the text was as follows:

"(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 he is so

unable to 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."

8. Omitted the words "the Reserve Bank or" by the State Bank of India (Subsidiary Banks

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Laws) Amendment Act, 2007 (Act No. 30 of 2007).

Section 25A - Fit and proper status of an elected director

1[25A. 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 fulfill 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.]

1. Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act

No. 30 of 2007)

Section 25B - Power of Reserve Bank to appoint additional directors

1[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 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.]

1. Inserted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act

No. 30 of 2007)

Section 26 - Term Of Office Of Directors

(1) A director of a subsidiary bank¹[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 authority²[nominating or appointing]

him.

3[(2) Subject to the provisions contained in section 25 a director elected under clause (d) of

subsection (1) of that section shall hold office for three years and5[***], 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 7[***] and

shall be eligible for re-nomination or reappointment, as the case may be:

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

years.]

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4[(3)***]

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 w.e.f. 30-12-88.

2. Substituted for "nominating", by Banking Public Financial 6.Instructions and Negotiable Instruments Laws (Amendment) Act (66 of 1988) Section 19 w.e.f. 30-12-88.

3. Substituted, by Banking Public Financial 6.Instructions and Negotiable Instruments Laws (Amendment) Act (66 of 1988) Section 19 w.e.f. 30-12-88..

4. Sub-section (3) omitted, by Banking Public Financial 6.Instructions and Negotiable Instruments Laws (Amendment) Act (66

of 1988) Section 19 w.e.f. 30-12-88..

5. The following words "and thereafter until his successor is duly elected" are omitted by the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, w.e.f. 16.10.2006.

6. Substituted for the words "and thereafter until his successor shall have been duly nominated or appointed" by the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, w.e.f. 16.10.2006.

7. Omitted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010) w.e.f. 15.09.2010 for the following :

-"6[and thereafter until his successor shall have been duly appointed],"

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Section 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 1 [other than the office of the

managing director]; or

1 [(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

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(1) of section 25;

2 [Provided further that in the case of a director appointed under clause (ca) or Clause

(cb) of subsection (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.

(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, he ceases to be a member of Parliament or the

Legislature of the State, and if any director is elected or nominated as a member of

Parliament or the Legislature of a State, he shall cease to be a director as from the date of

such election or nomination, as the case may be.

(4) 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 3[Banking Regulation Act,

1949](10 of 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.

1. Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973). Section 24 (1-7-1974).

2. Substituted for the words "provided further that," by the State Bank Laws (Amendment) Act, 1973 (48 of 1973).

Section 24 w.e.f.1-7-1974.

3. Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act No. 30 of 2007)

for the words and figures "Banking Companies Act, 1949"

Section 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

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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.

Section 29 - Managing Director

1[Managing Director

(1) The State Bank shall, after consulting the Board of Directors of a
subsidiary bank, and

with the approval of the Reserve Bank, appoint a 1[managing
director] for that subsidiary

bank;

Provided that in the case of the first appointment of the 1[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 1[managing director] and

the 1[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 1[managing director] of a subsidiary bank--

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

Provided that 1[managing director] of the subsidiary bank may, with
the approval of

the State Bank and 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, with the approval of the Reserve Bank, specify at the time of his

appointment:

(c) shall receive such salary and allowances as may be determined by the State Bank

with the approval of the Reserve Bank.

(4) The¹[managing director] vacating his office shall be eligible for reappointment.

(5) The State Bank may, with the approval of the Reserve Bank, for any sufficient reason,

remove from office the¹[managing director] of a subsidiary bank :

Provided that no¹[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 w.e.f. 1-7-1974.

Section 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 Bank¹[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.

1. Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 25

w.e.f.1-7-1974.

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Section 31 - Removal From Office Of Director

(1) The State Bank may, with the approval of the Reserve Bank, 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 director¹[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, with the approval of the Reserve Bank, 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.

1. Substituted for the words, brackets and letter "nominated under clause (e)" by the State

Bank Laws (Amendment) Act. 1973 (48 of 1973), Section 26 w.e.f.1-7-1974.

Section 32 - Appointment Of Another Person For Discharging The Duties Of Managing

Director During His Absence

32. Appointment Of Another Person For Discharging The Duties Of¹[Managing Director]

During His Absence

If the¹[managing director] of a subsidiary bank is rendered incapable of discharging his duties

by reason of infirmity or otherwise or is absent on leave or otherwise in circumstances not

involving the vacation of his office, the State Bank may appoint another person to officiate

for the¹[managing director] until the date on which the¹[managing director] resumes duty.

1. Substituted for the words "general manager" by the State Bank Laws (Amendment) Act,

1973(48 of 1973), Section 21 w.e.f. 1-7-1974.

Section 33 - Casual Vacancies Among Directors

(1) Where any vacancy occurs before the expiry of the term of office of a director of a

subsidiary bank¹[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;

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(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 be²[under sub-section (1)]

shall hold office for the unexpired portion of the term of his predecessor.

²[(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.]

1. Inserted by the State Bank Lows (Amendment) Act, 1973 (48 of 1971), Section 27

w.e.f.1-7-1974.

2. Substituted for the words "under this section," by the State Bank Lows (Amendment) Act,

1973 (48 of 1971), Section 27 w.e.f.1-7-1974.

Section 34 - Meetings Or The Board Of Directors

³[(1) The Board of Directors of a subsidiary bank shall meet at such time and place and shall

observe such rules of procedure in regard to the transaction of business at its meetings as

may be prescribed; and the meeting of the Board of Directors may be held by participation of

the directors of the Board through video-conferencing or such other electronic means, as

may be presented, 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 videoconferencing or such other electronic means.]

(2) 4[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.

5[(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 videoconferencing

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.";

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(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 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,

he 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 6[of the

State Bank nominated under clause (c)] of that sub-section];2[or]

2[(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 7(* * *) as

soon as possible.

1. Substituted for former proviso by the State Associated Banks (Miscellaneous Provisions)

Act, 1962 (56 of 1962), S. 3(vii) 14-12-1962.

2. Inserted by the State Bank Laws (Amendment) Act, 1973 (48 of 1973), Section 28

w.e.f.1-7-1974.

3. Substituted for the following by the State Bank of India (Subsidiary Banks Laws)

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Amendment Act, 2007 (Act No. 30 of 2007)

"(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."

4. Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007

(Act No. 30 of 2007) for the words "The chairman of the State Bank".

5. Substituted for the following by the State Bank of India (Subsidiary Banks Laws)

Amendment Act, 2007 (Act No. 30 of 2007)

"(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."

6. Substituted by the State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007

(Act No. 30 of 2007) for the the words, brackets and letter "of the Reserve Bank or the State

Bank nominated under clause (b) or clause (c)"

7. Omitted the words "and the Reserve Bank" by the State Bank of India (Subsidiary Banks

Laws) Amendment Act, 2007 (Act No. 30 of 2007)

Section 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 (e) 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.

(3) 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.

(4) 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, it any, as

the Board of Directors may impose, be delegated to them by the Board of Directors.

Section 35A - Supersession of Board of Directors in certain cases

[1](#)[35A. Supersession of Board of Directors in certain cases.-

(1) Where the Reserve Bank, on the recommendation of the State Bank is satisfied that in

the public interest or for preventing the affairs of a subsidiary bank being conducted in a

manner detrimental to the interest, of the depositors or the subsidiary bank or for securing

the proper management of the subsidiary bank, it is necessary so to do, the Reserve Bank

may, for reasons to be recorded in writing, by order, supersede the Board of Directors of the

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subsidiary bank for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the Board of Directors may be

extended from time to time, so, however, that the total period shall not exceed

twelve months.

(2) The Reserve Bank may, on supersession of the Board of Directors of the subsidiary bank

under sub-section (1), appoint, for such period as it may determine, an Administrator (not

being an officer of the Central Government or a State Government) who has experience in

law, finance, banking, economics or accountancy.

(3) The Reserve Bank may issue such directions to the Administrator as it may deem

appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of Directors of the subsidiary bank,

notwithstanding anything contained in this Act,--

(a) the chairman, managing director and other directors shall, as from the date

of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under this Act, or any

other law for the time being in force, be exercised and discharged by or on behalf

of the Board of Directors of such subsidiary bank, or by a resolution passed in

general meeting of the subsidiary bank, shall, until the Board of Directors of the

subsidiary bank is reconstituted, be exercised and discharged by the

Administrator appointed by the Reserve Bank under 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) The Reserve Bank may constitute a committee of three or more persons who have

experience in law, finance, banking, economics or accountancy to assist the Administrator in

the discharge of his duties.

(6) The committee referred to in sub-section (5) shall meet at such times and places and

observe such rules of procedure as may be specified by the Reserve Bank.

(7) The salary and allowances payable to the Administrator and the members of the

Committee constituted under sub-section (5) by the Reserve Bank shall be such as may be

specified by the Reserve Bank and be payable by the concerned subsidiary bank.

(8) On and before the expiration of two months before expiry of the period of supersession of

the Board of Directors as specified in the order issued under sub-section (1), the

Administrator of the subsidiary bank, shall call the general meeting of the subsidiary bank to

elect new directors and reconstitute its Board of Directors.

(9) Notwithstanding anything contained in any other law or in any contract, the

memorandum or articles of association, no person shall be entitled to claim any

compensation for the loss or termination of his office.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after

the Board of Directors of the subsidiary bank has been reconstituted.

1. Inserted by State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act No.

30 of 2007)

Chapter VI - BUSINESS OF SUBSIDIARY BANKS

1[35A. Supersession of Board of Directors in certain cases.-

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(1) Where the Reserve Bank, on the recommendation of the State Bank is satisfied that in

the public interest or for preventing the affairs of a subsidiary bank being conducted in a

manner detrimental to the interest, of the depositors or the subsidiary bank or for securing

the proper management of the subsidiary bank, it is necessary so to do, the Reserve Bank

may, for reasons to be recorded in writing, by order, supersede the Board of Directors of the

subsidiary bank for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the Board of Directors may be

extended from time to time, so, however, that the total period shall not exceed

twelve months.

(2) The Reserve Bank may, on supersession of the Board of Directors of the subsidiary bank

under sub-section (1), appoint, for such period as it may determine, an Administrator (not

being an officer of the Central Government or a State Government) who has experience in

law, finance, banking, economics or accountancy.

(3) The Reserve Bank may issue such directions to the Administrator as it may deem

appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of Directors of the subsidiary bank,

notwithstanding anything contained in this Act,--

(a) the chairman, managing director and other directors shall, as from the date

of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under this Act, or any

other law for the time being in force, be exercised and discharged by or on behalf

of the Board of Directors of such subsidiary bank, or by a resolution passed in

general meeting of the subsidiary bank, shall, until the Board of Directors of the

subsidiary bank is reconstituted, be exercised and discharged by the

Administrator appointed by the Reserve Bank under 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) The Reserve Bank may constitute a committee of three or more persons who have

experience in law, finance, banking, economics or accountancy to assist the Administrator in

the discharge of his duties.

(6) The committee referred to in sub-section (5) shall meet at such times and places and

observe such rules of procedure as may be specified by the Reserve Bank.

(7) The salary and allowances payable to the Administrator and the members of the

Committee constituted under sub-section (5) by the Reserve Bank shall be such as may be

specified by the Reserve Bank and be payable by the concerned subsidiary bank.

(8) On and before the expiration of two months before expiry of the period of supersession of

the Board of Directors as specified in the order issued under sub-section (1), the

Administrator of the subsidiary bank, shall call the general meeting of the subsidiary bank to

elect new directors and reconstitute its Board of Directors.

(9) Notwithstanding anything contained in any other law or in any contract, the

memorandum or articles of association, no person shall be entitled to claim any

compensation for the loss or termination of his office.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after

the Board of Directors of the subsidiary bank has been reconstituted.

1. Inserted by State Bank of India (Subsidiary Banks Laws) Amendment Act, 2007 (Act No.

30 of 2007)

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Section 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 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[(3)-(4) *****]

1. Sub-sections (3) and (4) omitted by the State-Associated Banks (Miscellaneous Provisions)

Act, 1962 (56 of 1962), Section 3.(viii) w.e.f. 14-12-62.

Section 36A - Subsidiary Bank To Act As Agent Of The Reserve Bank

1[36-A. 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.

1. Inserted by the Banking Laws (Amendment) Act, 1983(1 of 1984),
Section 49 w.e.f.

15-2-1984.

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