

THE STATE BANK OF INDIA ACT, 19551

[Act, No. 23 of 1955]

[8th May, 1955]

PREAMBLE

An Act to constitute a State Bank for India, to transfer to it the undertaking of the Imperial Bank of

India and to provide for other matters connected therewith or incidental thereto

Whereas for the extension of banking facilities, on a large scale, more particularly in the rural and

semi-urban areas, and for diverse other public purposes it is expedient to constitute a State Bank

for India, and to transfer to it the undertaking of the Imperial Bank of India and to provide for other

matters connected therewith or incidental thereto;

Be it enacted by Parliament in the Sixth Year of the Republic of India as follows:

1. The Act has been extended to Dadra and Nagar Haveli By Reg. 6 of 1963, Section 2 and Schedule

I (w.e.f. 1st July 1965); Pondicherry by Reg. 7 of 1963, Section 3 and Schedule I (w.e.f. 1st

October, 1963); and Goa., Daman and Diu by Reg. 11 of 1963, Section 3 and Schedule.

Chapter 1 - PRELIMINARY

THE STATE BANK OF INDIA ACT, 19551

[Act, No. 23 of 1955]

[8th May, 1955]

PREAMBLE

An Act to constitute a State Bank for India, to transfer to it the undertaking of the Imperial Bank of

India and to provide for other matters connected therewith or incidental thereto

Whereas for the extension of banking facilities, on a large scale, more particularly in the rural and

semi-urban areas, and for diverse other public purposes it is expedient to constitute a State Bank

for India, and to transfer to it the undertaking of the Imperial Bank of India and to provide for other

matters connected therewith or incidental thereto;

Be it enacted by Parliament in the Sixth Year of the Republic of India as follows:

1. The Act has been extended to Dadra and Nagar Haveli By Reg. 6 of 1963, Section 2 and Schedule

I (w.e.f. 1st July 1965); Pondicherry by Reg. 7 of 1963, Section 3 and Schedule I (w.e.f. 1st

October, 1963); and Goa., Daman and Diu by Reg. 11 of 1963, Section 3 and Schedule.

1

Section 1 - Short title and commencement

(1) This Act may be called the State Bank of India Act, 1955 (23 of 1955).

(2) It shall come into force on such date¹ as the Central Government may, by notification in

the Official Gazette, appoint.

1. Came into force on 1st July, 1955, vide Notification No. S.R.O. 1077, dated the 14th May,

1955, published in the Gazette of India, Pt. II, Section 3, p. 869.

Section 2 - Definitions

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

(a) "appointed day" means the date on which this Act comes into force;

(b) "Central Board" means the Central Board of Directors of the State Bank;

1[(bb) "Chairman" means the Chairman of the Central Board;]

(c) "goods" includes bullion, wares and merchandise;

(d) "Imperial Bank" means the Imperial Bank of India constituted under the Imperial

Bank of India Act, 1920 (47 of 1920);

1[(dd) "Local Board" means a Local Board constituted under Section 21;]

(e) "prescribed" means prescribed by regulations made under this Act;

(f) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve

Bank of India Act, 1934 (2 of 1934);

(g) "State Bank" means the State Bank of India constituted under this Act;

2[(h) "Subsidiary Bank" means a subsidiary bank as defined in the State Bank of India

(Subsidiary Banks) Act, 1959] (38 of 1959);

4[***]

3[(j) "workman" has the meaning assigned to it in the Industrial Disputes Act, 1947

(14 of 1947).]

1. Inserted by Act 35 of 1964, Section 2 (w.e.f. 1st December, 1964).

2. Inserted by Act 38 of 1959, Section 64, and Third Schedule (w.e.f. 10th September, 1959).

2

3. Substituted by Act 48 of 1973, Section 2 (w.e.f. 29th June, 1974).

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

"1[(i) "Vice-Chairman" means the Vice-Chairman of the Central Board;]"

Chapter 2 - INCORPORATION AND SHARE CAPITAL OF STATE BANK

3

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

(a) "appointed day" means the date on which this Act comes into force;

(b) "Central Board" means the Central Board of Directors of the State Bank;

1[(bb) "Chairman" means the Chairman of the Central Board;]

(c) "goods" includes bullion, wares and merchandise;

(d) "Imperial Bank" means the Imperial Bank of India constituted under the Imperial

Bank of India Act, 1920 (47 of 1920);

1[(dd) "Local Board" means a Local Board constituted under Section 21;]

(e) "prescribed" means prescribed by regulations made under this Act;

(f) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve

Bank of India Act, 1934 (2 of 1934);

(g) "State Bank" means the State Bank of India constituted under this Act;

2[(h) "Subsidiary Bank" means a subsidiary bank as defined in the State Bank of India

(Subsidiary Banks) Act, 1959] (38 of 1959);

4[***]

3[(j) "workman" has the meaning assigned to it in the Industrial Disputes Act, 1947

(14 of 1947).]

1. Inserted by Act 35 of 1964, Section 2 (w.e.f. 1st December, 1964).

2. Inserted by Act 38 of 1959, Section 64, and Third Schedule (w.e.f. 10th September, 1959).

3. Substituted by Act 48 of 1973, Section 2 (w.e.f. 29th June, 1974).

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

"1[(i) "Vice-Chairman" means the Vice-Chairman of the Central Board;]"

4

Section 3 - Establishment of the State Bank

(1) A Bank to be called the State Bank of India shall be constituted to carry on the business of banking and other

business in accordance with the provisions of this Act and for the purpose of taking over the undertaking of the Imperial

Bank.

(2) The 1[Central Government], together with such other persons as may from time to time become shareholders in the

State Bank in accordance with the provisions of this Act, shall, so long as they are shareholders in the State Bank,

constitute a body corporate with perpetual succession and a common seal under the name of the State Bank of India, and

shall sue and be sued in that name.

(3) The State Bank shall have power to acquire and hold property, whether movable or immovable, for the purposes for

which it is constituted and to dispose of the same.

1. Substituted for the words "Reserve Bank" by the State Bank of India (Amendment) Act,

2007 [Act No. 32 of 2007]

Section 4 - Authorised capital

5

3[Subject to the provisions of this Act, the authorised capital of the State Bank shall be five

thousand crores of rupees divided into five hundred crores of fully paid-up shares of ten

rupees each:

Provided that the Central Board may reduce the nominal or face value of the shares,

and divide the authorised capital into such denomination as it may decide with the

approval of the Reserve Bank:

Provided further that the Central Government may, in consultation with the Reserve

Bank, increase or reduce the authorised capital so however that the shares in all

cases shall be fully paid-up shares.]

1. Substituted by Act No. 3 of 1994 Section 2, for the words "twenty lakhs " (w.e.f. 15th October, 1993).

2. Substituted by Act No. 3 of 1994 Section 2, for the words, "One hundred rupees".

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

"Subject to the provisions of this Act, the authorised capital of the State Bank shall be twenty crores of rupees

divided into 1[two crores] of fully paid-up shares of 2[ten rupees] each:

Provided that the Central Government may increase or reduce the authorised capital as it thinks fit so

however that the shares in all cases shall be fully paid up shares of 2[ten rupees] each."

6

Section 5 - Issued capital

(1) The issued capital of the State Bank shall, on the appointed day, be five crores, sixty-two

lakhs and fifty thousand rupees divided into five lakhs, sixty-two thousand and five hundred

shares, all of which shall, on the appointed day, stand allotted to the Reserve Bank in lieu of

the shares of the Imperial Bank¹[transferred to and vested in it under Sec.6].

3[(2) The issued capital of the State Bank shall consist of equity shares or equity and

preference shares:

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

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

issue of each class of such preference shares (whether perpetual or irredeemable or

redeemable) and the terms and conditions subject to which, each class of preference

shares may be issued:

Provided further that the Central Board may from time to time increase, with the

previous approval of the Reserve Bank and the Central Government, whether by

public issue or rights issue or preferential allotment or private placement, in

accordance with the procedure as may be prescribed, the issued capital by the issue of

equity or preference shares:

Provided also that the Central Government shall, at all times, hold not less than

fifty-one per cent. of the issued capital consisting of equity shares of the State Bank.]

(3) No increase in the issued capital beyond twelve crores and fifty lakhs of rupees shall be

made under sub-section (2) without the previous sanction of the Central Government.

7

4[(4) Subject to the provisions contained in sub-section (2), the Central Board may increase

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

capital in such manner as the Central Government may, after consultation with the Reserve

Bank, direct.

(5) The State Bank may, accept the money in respect of shares issued towards increase in

the issued capital in instalments, make calls, forfeit unpaid shares and re-issue them, in such

manner as may be prescribed.]

1. Substituted by Act 33 of 1955, Section 2, for the words "transferred to it by para. 2 of the First Schedule".

2. Substituted for the words "Reserve Bank" by the State Bank of India (Amendment) Act, 2007 [Act No. 32 of 2007]

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

"(2) The Central Board may from time to time increase the issued capital but no increase in the issued capital shall be

made in such a manner that the 2[Central Government] holds at any time less than fifty-five per cent. of the issued

capital of the State Bank."

4. Inserted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010) w.e.f. 15.09.2010.

8

Chapter 3 - TRANSFER OF UNDERTAKING OF THE IMPERIAL BANK TO STATE BANK

(1) The issued capital of the State Bank shall, on the appointed day, be five crores, sixty-two

lakhs and fifty thousand rupees divided into five lakhs, sixty-two thousand and five hundred

shares, all of which shall, on the appointed day, stand allotted to the Reserve Bank in lieu of

the shares of the Imperial Bank¹[transferred to and vested in it under Sec.6].

3[(2) The issued capital of the State Bank shall consist of equity shares or equity and

preference shares:

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

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

issue of each class of such preference shares (whether perpetual or irredeemable or

redeemable) and the terms and conditions subject to which, each class of preference

shares may be issued:

Provided further that the Central Board may from time to time increase, with the

previous approval of the Reserve Bank and the Central Government, whether by

public issue or rights issue or preferential allotment or private placement, in

accordance with the procedure as may be prescribed, the issued capital by the issue of

equity or preference shares:

Provided also that the Central Government shall, at all times, hold not less than

fifty-one per cent. of the issued capital consisting of equity shares of the State Bank.]

(3) No increase in the issued capital beyond twelve crores and fifty lakhs of rupees shall be

made under sub-section (2) without the previous sanction of the Central Government.

4[(4) Subject to the provisions contained in sub-section (2), the Central Board may increase

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

capital in such manner as the Central Government may, after consultation with the Reserve

9

Bank, direct.

(5) The State Bank may, accept the money in respect of shares issued towards increase in

the issued capital in instalments, make calls, forfeit unpaid shares and re-issue them, in such

manner as may be prescribed.]

1. Substituted by Act 33 of 1955, Section 2, for the words "transferred to it by para. 2 of the First Schedule".

2. Substituted for the words "Reserve Bank" by the State Bank of India (Amendment) Act, 2007 [Act No. 32 of 2007]

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

"(2) The Central Board may from time to time increase the issued capital but no increase in the issued capital shall be made in such a manner that the 2[Central Government] holds at any time less than fifty-five per cent. of the issued capital of the State Bank."

4. Inserted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010) w.e.f. 15.09.2010.

10

Section 6 - Transfer of assets and liabilities of the Imperial Bank to the State Bank

(1) Subject to the other provisions contained in this Act, on the appointed day,--

(a) all shares in the capital of the Imperial Bank shall be transferred to, and shall vest in,

the Reserve Bank, free of all trusts, liabilities and encumbrances, and

(b) the undertaking of the Imperial Bank shall be transferred to, and shall vest in, the

State Bank.

(2) The undertaking of the Imperial Bank 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 as may be in the possession of that bank immediately before the appointed

day, and all books, accounts, and documents relating thereto, and shall also be deemed to

include all debts, liabilities and obligations of whatever kind then existing of that bank.

1[(3) Unless otherwise expressly provided by or under 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 the Imperial Bank is a party or which are in favour of the Imperial Bank shall be of as

full force and effect against or in favour of the State Bank, as the case may be, and may be

enforced or acted upon as fully and effectually as if instead of the Imperial Bank the State

Bank had been a party thereto or as if they had been issued in favour of the State Bank].

(4) If on the appointed day any suit, appeal or other legal proceeding of whatever nature, is

pending by or against the Imperial Bank, the same shall not abate, be discontinued or be in

any way prejudicially affected by reason of the transfer to the State Bank of the undertaking

of the Imperial 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 State Bank.

1. Substituted by Act 33 of 1955, Section 3, for the original sub-section (3) (with retrospective effect).

Section 7 - Transfer of service of existing officers and employees of the Imperial Bank to the State Bank

(1) Every officer or other employee of the Imperial Bank (excepting the managing director,

the deputy managing director and other directors) in the employment of the Imperial Bank

immediately before the appointed day shall, on and from the appointed day, become an

officer or other employee, as the case may be, of the State 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 Imperial

Bank had not vested in the State Bank, and shall continue to do so unless and until his

employment in the State Bank, is terminated or until his remuneration, terms or conditions

are duly altered by the State Bank.

(2) Any person who, on the appointed day, is entitled to or is in receipt of, a pension or other

superannuation or compassionate allowance or benefit from the Imperial Bank or any

provident, pension or other fund or any authority administering such fund shall be entitled to

be paid by, and to receive from, the State Bank or any provident, pension or other fund or

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 Central Government and the decision of the Central Government thereon

shall be final.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), no

appointment made or promotion, increment in salary, pension, allowance or any other

benefit granted to any person after the 19th day of December, 1954, and before the

appointed day which would not ordinarily have been made or granted or which would not

ordinarily have been admissible under the rules or authorisations of the Imperial Bank or of

any provident, pension or other fund in force prior to the 19th day of December, 1954, shall

have effect or be payable or claimable from the State Bank or from any provident, pension or

other fund, or from any authority administering the fund, unless the Central Government

has, by general or special order, confirmed the appointment, promotion or increment or has

directed the continued grant of the pension, allowance or other benefit as the case may be.

(4) Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947), or

in any other law for the time being in force, the transfer of the services of any officer or

other employees of the Imperial Bank from that Bank to the State Bank shall not entitle such

officer or other employees to any compensation under that Act or other law, and no such

claim shall be entertained by any Court, Tribunal or other authority.

(5) Any person holding office as managing director, deputy managing director, director or

member of any Local Board of the Imperial Bank immediately before the appointed day shall

be deemed to have vacated his office as such 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, he shall not be entitled to any compensation from the Imperial Bank

or the State Bank 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

which the State Bank may grant to him, having regard to what that person would have

received as an officer of the Imperial Bank if this Act had not been passed and if he had

retired from his employment in the ordinary course.

(6) Where any managing director, deputy managing director, director, officer or other

employee of the Imperial 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 State Bank shall

be entitled to claim refund of any sum so paid if the payment is not confirmed by the Central

Government by general or special order.

Section 8 - Existing provident and other funds of the Imperial Bank

For the persons who immediately before the appointed day are the trustees of the following

funds, that is to say,--

(a) the Imperial Bank of India Employees' Provident Fund;

(b) the Imperial Bank of India Employees' Pension and Guarantee Fund ;

(c) the Bank of Bombay Officers' Pension and Guarantee Fund ;

(d) the Bank of Madras Pension and Gratuity Fund; and

(e) the Bank of Madras Officers' Provident and Mutual Guarantee Fund ;

12

there shall be substituted as trustees such persons as the Central Government may, by

general or special order, specify.

Section 9 - Compensation to be given to shareholders of Imperial Bank

(1) Every person who immediately before the appointed day is registered as a holder of

shares in the Imperial Bank shall be entitled to compensation in accordance with the

provisions contained in the First Schedule.

(2) Nothing contained in sub-section (1) shall affect the rights inter se between the holder of

any share in the Imperial 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.

Chapter 4 - SHARES

(1) Every person who immediately before the appointed day is registered as a holder of

shares in the Imperial Bank shall be entitled to compensation in accordance with the

provisions contained in the First Schedule.

(2) Nothing contained in sub-section (1) shall affect the rights inter se between the holder of

any share in the Imperial Bank and any other person who may have an interest in such

share, and such other person shall be entitled to enforce his interest against the

compensation awarded to the holder of such share, but not against the Reserve Bank.

Section 10 - Transferability of shares

(1) Save as otherwise provided in sub-section (2), the shares of the State Bank shall be

freely transferable.

(2) Nothing contained in sub-section (1) shall entitle the 1[Central Government] to transfer

any shares held by it in the State Bank if such transfer will result in reducing the shares held

by it to less than 2[fifty-one per cent, of the issued capital consisting of equity shares] of the

State Bank.

1. Substituted for the words "Reserve Bank" by the State Bank of India (Amendment) Act, 2007 [Act No. 32 of 2007]

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

"fifty-five per cent. of the issued capital"

13

Section 10A - Right of registered shareholders to nominate

1[(1) Every individual registered shareholder may, at any time, nominate, in the prescribed

manner, an individual to whom all his rights in the shares shall vest in the event of his

death.

(2) Where the shares are registered in the name of more than one individual jointly, the

joint holders may together nominate in the prescribed manner, an individual to whom all

their rights in the shares shall vest in the event of the death of all the joint holders.

(3) Notwithstanding anything contained in any other law for the time being in force or in any

disposition, whether testamentary or otherwise, where a nomination in respect of shares is

made in the prescribed manner and which purports to confer on the nominee the right to

vest the shares, the nominee shall, on the death of the shareholder or, as the case may be,

on the death of all the joint holders, become entitled to all the rights of the shareholder or,

as the case may be, of all the joint holders, in relation to such shares and all other persons

shall be excluded unless the nomination is varied or cancelled in the prescribed manner.

(4) Where the nominee is a minor, it shall be lawful for the individual registered holder of

14

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 (Amendment) Act, 2010 (Act No. 27 of 2010) w.e.f. 15.09.2010.

Section 11 - Restrictions on voting rights

1[No shareholder, other than the 2[Central Government], 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:

Provided that such shareholder shall be entitled to exercise voting rights at such

higher percentage as the Central Government may, after consultation with the

Reserve Bank, specify.]

3[Provided further that the shareholder holding any preference share capital in the

State Bank shall, in respect of such capital, have a right to vote only on resolutions

placed before the State Bank which directly affect the rights attached to his

preference shares:

Provided also that no preference shareholder, other than the Central Government,

shall be entitled to exercise voting rights in respect of preference shares held by him

in excess of ten per cent, of total voting rights of all the shareholders holding

preference share capital only.]

1. Substituted by Act No. 3 of 1994, Section 3 (w.e.f. 15th October, 1993).
2. Substituted for the words "Reserve Bank" by the State Bank of India (Amendment) Act, 2007 [Act No. 32 of 2007]
3. Inserted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010) w.e.f. 15.09.2010.

15

Section 12 - Shares to be approved securities

Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the

shares of the State Bank shall be deemed to be included among the securities enumerated in

Section 20 of the Indian Trusts Act, 1882 (2 of 1882), and also to be approved securities for

the purposes of the Insurance Act, 1938 (4 of 1938), and the¹[Banking Regulation Act, 1949] (10 of 1949).

-
1. Substituted by Act No. 3 of 1994, Section 4 for "Banking Companies Act, 1949" (w.e.f. 15th October, 1993).

Section 13 - Register of shareholders

1[(1) The State Bank shall keep at its Central 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;

16

(iii) the date on which any person ceases to be a shareholder; and

(iv) such other particulars as may be prescribed.

2[Provided that nothing in this sub-section shall apply to the shares held with a

depository.]

(2) Notwithstanding anything contained in sub-section (1), it shall be lawful for the State

Bank to keep the register of shareholders 3[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

an officer of the State Bank authorised in this behalf shall, in all legal proceedings, be

admissible in evidence.]

1. Substituted by Act No. 3 of 1994, Section 5 (w.e.f. 15th October, 1993).

2. Inserted by Act No. 8 of 1997, Section 3 (w.e.f. 15th January, 1997).

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

-"in computer floppies or diskettes"

17

Section 13-A - Register of beneficial owners

1[13-A. Register of beneficial owners

The register of beneficial owners maintained by a depository under Section 11 of the

Depositories Act, 1996 (22 of 1996), shall be deemed to be a register of shareholders for the

purposes of this Act.]

1. Inserted by Act no.8, Section 4 (w.e.f. 15th January, 1997).

Section 14 - [Omitted]

114. [Omitted]

1. Omitted by Act No. 3 of 1994, Section 6 (w.e.f. 15th October, 1993).

Section 15 - Trusts not to be entered on the register of shareholders

1[15. Trusts not to be entered on the register of shareholders

No notice of any trust, express, implied or constructive, shall be entered on the register of

shareholders or be receivable by the State Bank.]

2[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 13, Section 13-A and this section, the expressions

"beneficial owner", "depository" and "registered owner" shall have the meanings respectively

assigned to them in Cls. (a), (e) and (j) of sub-section (1) of Section 2 of the Depositories

Act, 1996 (22 of 1996).]

1. Substituted by Act No. 3 of 1994, Section 7.

2. Inserted by Act No. 8 of 1997 Section 5 (w.e.f. 15th January, 1997).

18

Chapter 5 - MANAGEMENT

1[15. Trusts not to be entered on the register of shareholders

No notice of any trust, express, implied or constructive, shall be entered on the register of

shareholders or be receivable by the State Bank.]

2[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 13, Section 13-A and this section, the expressions

"beneficial owner", "depository" and "registered owner" shall have the meanings respectively

assigned to them in Cls. (a), (e) and (j) of sub-section (1) of Section 2 of the Depositories

Act, 1996 (22 of 1996).]

1. Substituted by Act No. 3 of 1994, Section 7.

2. Inserted by Act No. 8 of 1997 Section 5 (w.e.f. 15th January, 1997).

Section 16 - Offices, branches and agencies

(1) Unless otherwise provided by the Central Government, by notification in the Official

Gazette, the Central Office of the State Bank shall be at 2[Mumbai, and shall also be known

as Corporate Centre].

(2) The State Bank shall have local head offices in 3[Mumbai, Kolkata and Chennai] and at

such other places in India as the Central Government, in consultation with the Central

Board, may determine.

(3) The State Bank shall maintain as its branches or agencies, all branches or agencies of the

Imperial Bank which were in existence¹[in India] immediately before the appointed day, and

no such branch may be closed without the previous approval of the Reserve Bank.

(4) The State Bank may establish branches or agencies at any place in or outside India in

addition to the branches or agencies referred to in sub-section (3).

(5) Notwithstanding anything contained in sub-section (4), the State Bank shall establish not

less than four hundred branches in addition to the branches referred to in sub-section (3)

within five years of the appointed day or such extended period as the Central Government

may specify in this behalf, and the places where such additional branches are to be

established shall be determined in accordance with any such programme as may be drawn up

by the Central Government from time to time in consultation with the Reserve Bank and the

State Bank, and no branch so established shall be closed without the previous approval of

the Reserve Bank.

1. Inserted by Act 33 of 1955, Section 4.

19

2. Substituted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010) for the following : -"Bombay"

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

- "Bombay, Calcutta and Madras"

Section 17 - Management

(1) The general superintendence and direction of the affairs and business of the State Bank

shall be entrusted to the Central Board which may exercise all powers and do all such acts

and things as may be exercised or done by the State Bank and are not by this Act expressly

directed or required to be done by the State Bank in general meeting.

(2) The Central Board in discharging its functions shall act on business principles, regard

being had to public interest.

20

Section 18 - Central Board to be guided by directions of Central Government

(1) In the discharge of its functions¹[including those relating to a subsidiary bank] the State

Bank shall be guided by such directions in matters of policy involving public interest as the

Central Government may, in consultation with the Governor of the Reserve Bank and the

Chairman of the State Bank, give to it.

(2) ²[All directions shall be given by the Central Government] and, if any question arises

whether a direction relates to a matter of policy involving public interest, the decision of the

Central Government thereon shall be final.

1. Inserted by Act 38 of 1959, Section 64, Third Schedule and Pt. VI (w.e.f. 10th September,

1959

2. Substituted for the words "All directions given by the Central Government shall be given

through the Reserve Bank" by the State Bank of India (Amendment) Act, 2007 [Act No. 32 of

2007]

Section 19 - Composition of the Central Board

1[* * *] The Central Board shall consist of the following, namely :

(a) a Chairman ⁹[***] to be appointed by the Central Government in consultation

with the Reserve Bank ²[***].

10[(b) such number of managing directors not exceeding four, as may be appointed by

the Central Government in consultation with the Reserve Bank;]

11[***]

(c) if the total amount of the holdings of the shareholders, other than the 8[Central

Government], whose names are on the 5[register of shareholders] three months

before the date fixed for election of directors is--

(i) not more than ten per cent. of the total issued capital, two directors,

(ii) more than ten per cent. but not more than twenty-five per cent. of such

capital, three directors, and

(iii) more than twenty-five per cent. of such capital, four directors, to be

elected in the prescribed manner by such shareholders;

6[(ca) one director, from among the employees of the State Bank, who are workmen,

to be appointed by the Central Government in the manner provided in the rules made

under this Act,

21

(cb) one director, from among such of the employees of the State Bank, as are not

workmen, to be appointed by the Central Government in the manner provided in the

rules made under this Act];

(d) not less than two and not more than six directors to be nominated by the Central

Government 12[***], from among persons having special knowledge of the working of

Co-operative institutions and of rural economy or experience in commerce, industry,

banking or finance;]

(e) one director to be nominated by the Central Government; and

13[(f) one director, possessing necessary expertise and experience in matters relating

to regulation or supervision of commercial banks to be nominated by the Central

Government on the recommendation of the Reserve Bank.]

7[*****]

1. Omitted by Act No. 3 of 1994, Section 8, for the brackets and figure "(1)" (w.e.f. 15th October, 1993)

2. The words "and after consideration, of the recommendations made by the Central Board in that behalf" omitted by Act 73 of

1976, Section 4 (w.e.f. 11th June, 1976).

3. Substituted by Section 4 (w.e.f. 11th June, 1976), for the words, "by the Central Board with the approval of the Central

Government".

4. Substituted by Act 35 of 1964, Section 3 (w.e.f. 1st December, 1964).

5. Substituted by Act No. 3 of 1994, Section 8, for the words, "principal register" (w.e.f. 15th October, 1993).

6. Inserted by Act 48 of 1973, Section 3 (w.e.f. 1st December, 1974).

7. Sub-sections (2) and (3) omitted by Act 35 of 1964, Section 3 (w.e.f. 1st December, 1964).

8. Substituted for the words "Reserve Bank" by the State Bank of India (Amendment) Act, 2007 [Act No. 32 of 2007].

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

-"and a Vice-Chairman"

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

-

"(b) not more than two managing directors, if any, appointed 3[by the Central Government in consultation with the

Reserve Bank];"

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

"4[(bb) the Presidents of the Local Boards appointed under sub-section (5) of Section 21, ex officio;"

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

22

"in consultation with the Reserve Bank"

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

- "(f) one director to be nominated by the Reserve Bank."

Section 19A - Qualifications for election of directors elected by shareholders

1[(1) The directors elected under clause (c) of section 19 shall--

(a) have special knowledge or experience in respect of one or more of the following

areas, namely:--

(i) agriculture and rural economy,

(ii) banking,

(iii) co-operation,

(iv) economics,

(v) finance,

(vi) law,

23

(vii) small-scale industry,

(viii) any other area the special knowledge of, and experience in, which in the

opinion of the Reserve Bank shall be useful to the State Bank;

(b) represent the interests of depositors; or

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

(2) Without prejudice to the provisions of sub-section (1) and notwithstanding anything to

the contrary contained in this Act or in any other law for the time being in force, no person

shall be eligible to be elected as director under clause (c) of section 19 unless he is a person

having fit and proper status based upon track record, integrity and such other criteria as the

Reserve Bank may notify from time to time in this regard and the Reserve Bank may specify

in the notification issued under this sub-section, the authority to determine the fit and

proper status, the manner of such determination, the procedure to be followed for such

determinations and such other matters as may be considered necessary or incidental thereto.

(3) Where the Reserve Bank is of the opinion that any director of the State Bank elected

under clause (c) of section 19 does not fulfil the requirements of sub-sections (1) and (2), it

may, after giving to such director and the State Bank a reasonable opportunity of being

heard, by order, remove such director.

(4) On the removal of a director under sub-section (3), the Central Board shall co-opt any

other person fulfilling the requirements of sub-sections (1) and (2), as a director in place of

the person so removed, till a director is duly elected by the shareholders of the State Bank in

the next annual general meeting; and the person so co-opted shall be deemed to have been

duly elected by the shareholders of the State Bank as a director.]

1. Inserted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010)w.e.f. 15.09.2010.

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

1[(1) If the Reserve Bank is of the opinion that in the interest of banking policy or in the

public interest or in the interests of the State Bank or its depositors, it is necessary so to do,

it may, from time to time and by order in writing appoint, with effect from such date as may

be specified in the order, one or more persons as additional directors of the State Bank.

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

(a) hold office during the pleasure of the Reserve Bank and subject thereto for a

period not exceeding three years or such further periods not exceeding three years at

24

a time as the Reserve Bank may, by order, specify;

(b) not incur any obligation or liability by reason only of his being an additional

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 State Bank.

(3) For the purpose of reckoning any proportion of the total number of directors of the State

Bank, any additional director appointed under this section shall not be taken into account.]

1. Inserted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010) w.e.f. 15.09.2010.

Section 20 - Term of office of Chairman, managing director, etc.

(1) 1[The Chairman, 17[***] and each Managing Director] shall hold office for such term not

exceeding five years, as the Central Government may fix when appointing them and shall be

eligible for re-appointment.

2[(1-A) Notwithstanding anything contained in sub-section (1), the Central Government shall

have the right to terminate the terms of office of the Chairman, 17[***] or a Managing

Director, as the case may be, at any time before the expiry of the term fixed under

sub-section (1) by giving him notice of not less than three months in writing or three

months' salary and allowances in lieu of such notice, and the Chairman, Vice-Chairman or a

Managing Director, as the case may be, shall also have the right to relinquish his office at

any time before the expiry of the term so fixed by giving to the Central Government notice

of not less than three months in writing.]

3[* * *]

(3) Subject to the provisions contained in Section 19 and 4[* * *] a director elected under

Cl. (c) 5[* * *] of 6[that section] shall hold office for 7[three years] and 16[***] 8[***] and

shall be eligible for re-election 9[* * *]:

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

years.]

11[(3-A) 12[Subject to the provisions contained in sub-section (4), a director] appointed

under Cl. (ca) or Cl. (cb) 13[of Section 19 or nominated under Cl. (d) of that section.] shall

hold office for such term, not exceeding three years, as the Central Government may specify

18[***] and shall be eligible 14[for re-appointment or re-nomination, as the case may be.]

25

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

14[(4) A director appointed under Cl. (ca) or Cl. (cb) of Section 19 or nominated under Cl. (d)

or Cl. (e) or Cl. (f) of that section.] shall hold office during the pleasure of the authority

appointing or nominating him, as the case may be].

8[(5)*****]

1. Substituted by Act 73 of 1976, Section 4, for the words "the Chairman and the Vice-Chairman" (w.e.f. 11th June, 1976).

2. Inserted by Act 73 of 1976, Section 4, (w.e.f. 11th June, 1976).

3. Sub-section (2) omitted by Act 73 of 1976, Section 4, (w.e.f. 11th June, 1976).

4. Certain words, omitted by Act 66 of 1988, Section 12 (w.e.f. 8th July, 1992).

5. Omitted by Act 3 of 1994, Section 9 (w.e.f. 15th October, 1993).

6. Substituted by Act 66 of 1988, Section 12, for certain words (w.e.f. 8th July, 1992).

7. Substituted by Act 66 of 1988, Section 12, for "four years" (w.e.f. 8th July, 1992).

8. Omitted by Act 66 of 1988, Section 12, (w.e.f. 8th July, 1992).

9. Omitted by Act 66 of 1988, Section 12.

10. Act 66 of 1988, Section 12.

11. Inserted by Act 48 of 1973 Section 4 (w.e.f. 29th April, 1974).

12. Substituted by Act 48 of 1973 Section 4, (w.e.f. 8th July, 1992).

13. Substituted by Act 3 of 1994, Section 9, for the certain words (w.e.f. 15th October, 1993).

14. Substituted by Act 66 of 1988, Section 12 (w.e.f. 8th July, 1992).

15. Inserted by Act 66 of 1988, Section 12 (w.e.f. 8th July, 1992).

16. The following words "until his successor shall have been duly elected" were omitted by the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, dated w.e.f. 16.10.2006.

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

"Vice-Chairman"

26

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

"and thereafter until his such successor shall have been 14[duly appointed or nominated]"

Section 21 - Local Boards

1[(1) There shall be constituted at each place where the State Bank has a local head office, a

Local Board which shall consist of the following members, namely:

8[(a) the chairman, ex officio or the managing director nominated by the chairman;]

2[(b) all such directors elected or nominated to the Central Board under Cl. (c) or Cl.

(d) of Section 19 as are ordinarily resident in the area falling within the jurisdiction of

the local head office;]

(c) six members to be nominated by the Central Government 9[***];

27

3[***]

(e) 4[the Chief General Manager] of the local head office, appointed by the State

Bank, ex officio.

5[(2) Where as a result of the establishment of any local head office (hereinafter referred to

as "the new local head office") for any area which is already falling within the jurisdiction of

another local head office (hereinafter referred to as "the existing local head office") a Local

Board (hereinafter referred to as "the new Local Board") is constituted for the new local head

office, any person who is, at the time of such Constitution, holding office as a member of a

Local Board (hereinafter referred to as "the existing Local Board") for an existing local head

office under Cl. (c) of sub-section (1) and is ordinarily resident in the area falling within the

jurisdiction of the new local head office, shall cease to hold office as member of the existing

Local Board and shall become a member of the new Local Board and shall on becoming such

member be deemed to have been nominated to the new Local Board and shall hold office as

such member for the unexpired portion of his term of office as a member of the existing

Local Board];

(3) Any vacancy caused in the existing Local Board as a result of any member thereof

becoming a member of the new Local Board under sub-section (2) shall be deemed to be a

casual vacancy and be filled in accordance with the provisions of Section 25.

(4)6[*****]

7[(5) The 10[Central Government] shall, in consultation with the Chairman, appoint--

(a) a member of a Local Board nominated under Cl. (c) of sub-section (1) to be the

President thereof; and

(b) a member of a Local Board holding office under Cl. (b) or nominated under Cl. (c)

of that sub-section to be the Vice-President thereof.]

1. Substituted by Act 35 of 1964, Section 5 (w.e.f. 1st December, 1964).

2. Substituted by Act 3 of 1994, Section 10 (w.e.f. 15th October, 1993).

3. Omitted by Act 3 of 1994, Section 10 (w.e.f. 15th October, 1993).

4. Substituted by Act 48 of 1973, Section 5, for the words "the Secretary and Treasurer" (w.e.f. 29th September, 1974).

5. Substituted by Act 3 of 1994, Section 10 (w.e.f. 15th October, 1993).

6. Omitted by (w.e.f. 15th October, 1993).

7. Substituted by Act 3 of 1994, Section 10 for subsection (5) (w.e.f. 15th October, 1993).

28

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

"(a) the Chairman, ex officio;"

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

consultation with the Reserve Bank"

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

- "Governor of the Reserve Bank"

Section 21-A - Term of office of members of Local Board

1[21A. Term of office of members of Local Board

2[(1) [(1) Subject to the provisions contained in this section and in sub-section (2) of section

21, a member of a Local Board--

(a) nominated under clause (c) of sub-section (1) of section 21 shall hold office for such

term, not exceeding three years, as the Central Government may specify in this behalf and

(hereafter until his successor has been duly nominated;

29

(b) elected under clause (d) of sub-section (1) of section 21 shall hold office for three years

and5[***],

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

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

years.]

3[* * * * *]

(3) A director of the Central Board becoming a member of a Local Board by virtue of the

provisions of Cl. (b) of sub-section (1) of Section 21 shall cease to hold office as such

member on his ceasing to be a director or on his ceasing to be ordinarily resident in the

relevant area.

(4) The President and the Vice-President of a Local Board shall each hold office for two years

or the remaining period of his office as a member of the Local Board, whichever is shorter,

and shall be eligible for re-appointment so long as he is a member of the Local Board.

4[(5) A member of a Local Board nominated under Cl. (c) of sub-section (1) of Section 21

shall hold office during the pleasure of the Central Government.]

1. Inserted by Act 35 of 1964, Section 6 (w.e.f. 1st December, 1964).

2. Substituted by Act 3 of 1994, Section 22 (w.e.f. 15th October, 1993).

3. Omitted by Act 3 of 1994, Section 11 (w.e.f. 15th October, 1993).

4. Inserted by Act 3 of 1994, Section 22.

5. The following words "and thereafter until his successor has been duly nominated" were

omitted by the Banking Companies (Acquisition and Transfer of Undertakings) and Financial

Institutions Laws (Amendment) Act, 2006, w.e.f. 16.10.2006.

Section 21-B - Powers of Local Board

5[In respect of the area falling within the jurisdiction of the local head office for which the

Local Board has been constituted, a Local Board shall, subject to such general or special

direction as the Central Board may give from time to time, exercise such powers and perform

such duties and functions as may be entrusted or delegated to it by the Central Board.]

1. Inserted by Act 35 of 1964, Section 6 (w.e.f. 1st December, 1964).

2. Substituted by Act 3 of 1994, Section 12 (w.e.f. 15th October, 1993).

3. Substituted by Act 48 of 1973, Section 6, for the words "in relation to any business that may be carried on or transacted by

the State Bank under sub-section (1) of Section 32 and Clause. (i) excluding the proviso), (ii), (iii), (v) to (ix), (xa), (xii) to

(xv), (xvii), (xviii), (xix-b) and (xix-c) of Section 38 and shall"; (w.e.f. 1st March, 1973).

30

4. Added by Act 48 of 1973, Section 6 (w.e.f. 1st March, 1973).

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

"Governor of the Reserve Bank"

"1[Save as may otherwise be prescribed and subject to any general or special directions which the Central Board may

give from time to time, a Local Board shall, in respect of the area²[falling within the jurisdiction"] of the local head

office for which the Board has been constituted exercise all powers and perform all functions and duties of the State

Bank³[in relation to the business of banking and the forms of business set out in Cls. (a), (b) (e), (f), (g), (h), (i), (k)

and (l) of sub-section (1) of Section 6 of the Banking Regulation Act, 1949 (10 of 1949), and such other forms of

business referred to in sub-section (1) of the said Section 6, as may be approved by the Central Board in this behalf,

and shall also] exercise such other powers and perform such other functions and duties as may be conferred on or

assigned to it by the Central Board.

4[Provided that a Local Board shall transact the business of borrowing of money and the acquiring, holding,

issuing on commission, under-writing and dealing in stock, funds, shares, debentures, debenture stock,

bonds, obligations, securities and investments, only if the Central Board approves any of such businesses in

this behalf and confers or assigns any of such business to the Local Board.]]"

31

Section 21-C - Local Committees

1[(1) A Local Committee may be constituted by the Central Board for any area and shall

consist of such number of members as may be prescribed.

2[(2) The chairman or the managing director nominated by him shall be an ex officio member

of every such Local Committee.]

(3) A Local Committee shall exercise such powers and perform such functions and duties as

the Central Board may confer on or assign to it.]

1. Inserted by Act 35 of 1964, Section 6 (w.e.f. 1st December, 1964).

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

"(2) The Chairman shall be an ex-officio member of every such Local Committee."

32

Section 22 - Disqualifications for directorship of Central Board or membership of Local

Boards or Committees

(1) No person shall be qualified to be a director of the Central Board or a member of a Local

Board or of a Local Committee if--

(a) he holds the office of director, provisional director, promoter, agent or manager of

any banking company already established or advertised as about to be established; or

(b) he is a salaried officer of Government not specially authorised by the Central

Government to be a director or member; or

(c) he has been removed or dismissed from the service of Government on a charge of

corruption or bribery; or

(d) he holds any office of profit under the State Bank other than the office of

Chairman, 8[***] 1[Managing Director] or 2[Chief General Manager or legal or

technical adviser]; or

3[(da) in the case of a director appointed under Cl. (ca) or Cl. (cb) 4[* * *] of Section

19 --

(i) he is not serving in the State 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 declared lunatic or becomes of unsound mind; or

(g) he is or has been convicted of any offence involving moral turpitude; or

9[(h) in the case of an elected director, he is not registered as a holder in his own

right of unencumbered shares in the State Bank, either as sole holder or as first

named holder when jointly held, of a nominal value of at least five thousand rupees:]

33

(2) No two persons who are partners of the same firm or 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 the Central Board or members of the same

Local Board or Local Committee at the same time.

(3) The appointment, nomination or election as director or member of a Local Board or of a

Local Committee of any person who is a member of Parliament or the Legislature of any

State shall be void unless within two months of the date of his appointment, nomination or

election he ceases to be a member of Parliament or the State Legislature, and if any director

or member of a Local Board or of a Local Committee is elected or nominated as a member of

Parliament or any State Legislature he shall cease to be a director or member of the Local

Board or of Local Committee as from the date of such election or nomination, as the case

may be.

6[(4) In this section,--

(a) "banking company" has the same meaning as in the 7[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 of 1956)].

1. Substituted by Act 26 of 1959, Section 2 for the words, "or managing director" (w.e.f. 28th August, 1959).

2. Substituted by Act 48 of 1973, Section 7, for the words "secretary and treasurer" (w.e.f. 26th June, 1974).

3. Inserted by Act 48 of 1973, Section 7, for the words "secretary and treasurer" (w.e.f. 26th June, 1974).

4. Omitted by Act 3 of 1994, Section 13 (w.e.f. 15th October, 1993).

5. Substituted by Act 3 of 1994, Section 13, (w.e.f. 15th October, 1993).

6. Inserted by Act 26 of 1959, Section 2 (w.e.f. 15th October, 1993).

7. Substituted by Act 3 of 1994, Section 13 (w.e.f. 28th August, 1993).

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

"Vice-Chairman"

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

-

"5[(h) in the case of an elected director he is not registered as a holder in his own right of unencumbered shares in

the State Bank of a nominal value of at least five thousand rupees :

Provided that in the case of a director appointed under Cl. (ca) or Cl. (cb) of Section 19, the disqualification

34

mentioned in Cl. (d) shall not operate.]"

Section 23 - Vacation of office of directors, etc.

If a director of the Central Board or a member of a Local Board or a Local Committee--

(a) becomes subject to any of the disqualifications mentioned in Section 22; or

35

(b) resigns his office by giving notice in writing under his hand, in the case of the

1[Chairman 3[***] and a Managing Director] to the Central Government and in the

case of other directors or members of Local Boards or the Committees, to the Central

Board, and the resignation is accepted; or

(c) is absent without leave of the Central Board, the Local Board or the Local

Committee, of which he is a director or member, as the case may be, for more than

three consecutive meetings thereof;

his seat shall thereupon become vacant.

2[***]

1. Substituted by Act 73 of 1976, Section 4, for the words "Chairman and Vice-Chairman" (w.e.f. 11th June, 1976).

2. Proviso omitted by Act 26 of 1959, Section 3 which was added by Act 21 of 1957, Section 3 (w.e.f. 8th June, 1957).

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

- "Vice-Chairman"

36

Section 24 - Removal from office of directors, etc.

(1) The Central Government may, after consulting the Reserve Bank, remove from

office1[the Chairman 10[***] or a Managing Director.]

2[***]

(3) The Central Government, 11[***], may remove from office any director3[appointed under

Cl. (ca) or Cl. (cb) or nominated under Cl. (d) 4[of Section 19] 5[or any member of a Local

Board nominated under Cl (c)] of sub-section (1) of Section 21] and 6[appoint or nominate,

as the case may be], in his stead another person to fill the vacancy.

(4) The shareholders, other than the 9[Central Government], may, by a resolution passed by

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, remove any director elected under Cl. (c) 7[*

* *]of Section 19 and elect in his stead another person to fill the vacancy.

7[***]

(6) No person shall be removed from his office under sub-section (1) 8[* * *] or sub-section

(3) unless he has been given an opportunity of showing cause against his removal.

1. Substituted by Act 73 of 1976, Section 4, for the words "the Chairman or the Vice-Chairman" (w.e.f. 11th June, 1976).

2. Sub-section (2) omitted by Section 4, by Act 73 of 1976.

3. Substituted by Act 48 of 1973, Section 8, for the words, brackets and letters "nominated under Cl. (d)" (w.e.f. 29th June, 1974).

37

4. Substituted by Act 3 of 1994, Section 14 (w.e.f. 15th October, 1993).

5. Inserted by Act 35 of 1964, Section 8 (w.e.f. 1st December, 1964).

6. Substituted by Act 48 of 1973, Section 8, for the word "nominate" (w.e.f. 25th June, 1974).

7. Omitted by Act 3 of 1994, Section 14 (w.e.f. 15th October, 1993).

8. The word, brackets and figure "or sub-section (2)" omitted by Act 73 of 1976, Section 4 (w.e.f. 11th June, 1976).

9. Substituted for the words "Reserve Bank" by the State Bank of India (Amendment) Act, 2007 [Act No. 32 of 2007].

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

- "Vice-Chairman"

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

- "after consulting the Reserve Bank"

38

Section 24A - Suppression of Central Board in certain cases

1[(1) Where the Central Government, on the recommendation of the Reserve Bank is

satisfied that in the public interest or for preventing the affairs of the State Bank being

conducted in a manner detrimental to the interest of the depositors or the State Bank or for

securing the proper management of the State Bank, it is necessary so to do, the Central

Government may, for reasons to be recorded in writing, by order, supersede the Central

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

Provided that the period of supersession of the Central Board may be extended from

time to time, so, however, that the total period shall not exceed twelve months.

(2) On supersession of the Central Board under sub-section (1), the Central Government

may, in consultation with the Reserve Bank, appoint an Administrator (not being an officer of

the Central Government or a State Government) who has experience in law, finance,

banking, economics or accountancy, for such period as it may determine.

(3) The Central Government may issue such directions to the Administrator as it may

consider necessary and the Administrator shall be bound to follow such directions.

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

the Central Board--

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

supersession, vacate their offices as such;

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

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

behalf of the Central Board, or by a resolution passed in the general meeting of the

State Bank, shall, until the Central Board is reconstituted, be exercised and

discharged by the Administrator appointed under sub-section (2):

Provided that the powers exercised by the Administrator shall be valid

notwithstanding that such power is also exercisable by a resolution passed in

the general meeting of the State Bank.

39

(5) The Central Government may, in consultation with the Reserve Bank, constitute a

committee of three or more persons who have experience in law, finance, banking,

economics or accountancy to assist the Administrator in the discharge of his duties.

(6) The committee shall meet at such times and places and observe such rules of procedure

as may be specified by the rules made under this Act.

(7) The salary and allowances of the Administrator and the members of the committee shall

be such as may be specified by the rules made under this Act and be payable by the State

Bank.

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

supersession of the Central Board, the Administrator of the State Bank shall call the general

meeting of the State Bank to elect new directors and re-constitute the said Board.

(9) Notwithstanding anything contained in any other law for the time being in force or in any

contract, no person shall be entitled to claim any compensation for the loss or termination of

his office on supersession of the Central Board.

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

the re-constitution of the Central Board.]

1. Inserted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010) w.e.f. 15.09.2010.

40

Section 25 - Casual vacancies

1[(1) If the Chairman, 8[***] or a Managing Director 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 Central Government may, in consultation with

the Reserve Bank, appoint another person to officiate in the vacancy.]

2[(2) Where any vacancy occurs before the expiry of the term of office of a director, other

than the Chairman, 8[***] or a Managing Director or 3[a director appointed under Cl. (ca) or

4[C1. (cb) of Section 19 or of a member of a Local Board other than the Chief General

Manager the vacancy shall be filled--

(a) in the case of an elected director, by election; and

(b) in the case of a director nominated under Cl. (d) of Section 19 or a member of a

Local Board nominated under Cl. (c) of sub-section (1) of Section 21, by nomination

9[***] :

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 not disqualified under Section 22.]

(3) A person elected or nominated or co-opted, as the case may be, 5[under sub-section (2)]

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

6[(4) Where any vacancy occurs before the expiry of the term of office of a director

appointed under Cl. (ca) or Cl. (cb) 7[* * *] of Section 19, such vacancy shall be filled in

accordance with the said Cl. (ca) or, as the case may be, Cl. (cb), and the director so

appointed shall hold office for the period specified under sub-section (3-A) of Section 20.]

1. Substituted by Act 73 of 1976, Section 4 (w.e.f. 11th June, 1976).

2. Substituted by Act 35 of 1964, Section 8, for sub-section (2) (w.e.f. 1st December, 1964).

3. Substituted by Act 48 of 1973, Section 9, for the words "of a member of a Local Board other than the secretary and treasurer" (w.e.f. 29th June, 1974).

4. Substituted by Act No. 3 of 1994, Section 15 (w.e.f. 15th October, 1993).

41

5. Substituted by Act 48 of 1973, Section 9, for the words "under this section" (w.e.f. 29th June, 1974).

6. Inserted by Act 48 of 1973, Section 9.

7. Omitted by Act 3 of 1994, Section 15 (w.e.f. 15th October, 1993).

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

- "Vice-Chairman"

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

consultation with the Reserve Bank"

Section 26 - Remuneration of directors

(1) Without prejudice to the provisions contained in Secs. 27, 28 and 29, the directors shall

be paid such fees and allowances for attending the meetings of the Central Board or of any of

its Committees and for attending to any other work of the State Bank as may be prescribed.

(2) Notwithstanding anything contained in sub-section (1), no fees shall be payable to a

Managing Director or any other director who is an officer of the Central Government or the

42

Reserve Bank.

Section 27 - Powers and remuneration of Chairman

(1) The Chairman shall preside at all meetings of the Central Board and, subject to such general or

special directions as the Central Board may give, exercise all such powers and do all such acts and

things as may be exercised or done by the State Bank.

(2) The Chairman shall receive such salary, fees, allowances and perquisites¹[as may be determined by Central Government].

2[****]

1. Substituted by Act 73 of 1976, Section 4, for the words, "as may be determined by Central Board

with the approval of the Central Government" (w.e.f. 11th June, 1976).

2. Proviso omitted by Section 4, for the words, "as may be determined by Central Board with the

approval of the Central Government" (w.e.f. 11th June, 1976).

Section 28 - [OMITTED]

3[***]

1. Substituted by Act 73 of 1976, Section 4, for the words, "as may be determined by Central Board with the approval of the

Central Government" (w.e.f. 11th June, 1976).

2. Proviso omitted by Section 4, for the words, "as may be determined by Central Board with the approval of the Central Government" (w.e.f. 11th June, 1976).

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

(1) The Vice-Chairman shall preside at the meetings of the Central Board in the absence of the Chairman and, subject

to the general control of the Chairman, exercise such powers and perform such duties as may be entrusted or

delegated to him by the Central Board.

(2) The Vice-Chairman shall receive such salary, fees, allowances and perquisites¹[as may be determined by the

Central Government].

2[* * * *]

(3) The fact that the Vice-Chairman exercises any of the powers and does any act or thing for or on behalf of the

State Bank shall be conclusive proof of his authority to do so.

43

Section 29 - Powers and remuneration of Managing Director

(1) A Managing Director--

(a) shall be a whole-time officer of the State Bank; 3[***]

(b) subject to the general control of the Chairman and the Vice-Chairman, shall

exercise such powers and perform such duties as may be entrusted or delegated to

him by the Central Board. 4[; and]

4[(c) when authorised by the chairman, shall preside at the meetings of the Central

Board in his absence.]

(2) A Managing Director shall receive such salary and allowances¹[as may be determined by

the Central Government].

²[***]

1. Substituted by Act 73 of 1976, Section 4, for the words, "as may be determined by Central Board with the approval of the

44

Central Government" (w.e.f. 11th June, 1976).

2. Proviso omitted by Act 73 of 1976, Section 4, for the words, "as may be determined by Central Board with the approval of the Central Government" (w.e.f. 11th June, 1976).

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

-"and".

4. Inserted by the State Bank of India (Amendment) Act, 2010 (Act No. 27 of 2010) w.e.f. 15.09.2010.

Section 30 - Executive and other committees of the Central Board

The Central Board may constitute such and so many committees, including an executive

committee, of itself as it deems fit to exercise such powers and perform such duties as may,

subject to such conditions, if any, as the Central Board may impose, be delegated to them by

the Central Board.

45

Section 31 - Meetings of the Central Board

7[(1) The Central Board shall meet at such time and place and shall observe such rules of

procedure in regard to the transaction of business at its meetings as may be prescribed; and

the meeting of the Central Board may be held by participation of the directors of the Central

Board through videoconferencing or such other electronic means, as may be prescribed,

which are capable of recording and recognising the participation of the directors and the

proceedings of such meetings are capable of being recorded and stored:

Provided that the Central Government may in consultation with the Reserve Bank, by

notification in the Official Gazette, specify the matters which shall not be discussed in

a meeting of the Central Board held through videoconferencing or such other

electronic means.

(2) All questions at the meeting shall be decided by a majority of the votes of the directors

present in the meeting or through videoconferencing or such other electronic means and in

the case of equality of votes the chairman or, in his absence, the managing director

authorised by the chairman shall have a second or casting vote.]

(3) A director who is directly or indirectly concerned or interested in any contract, loan,

arrangement or proposal entered into or proposed to be entered into by or on behalf of the

State Bank shall at the earliest possible opportunity disclose the nature of his interest to the

Central Board and shall not be present at any meeting of the Central Board when any such

contract, loan, arrangement or proposal is discussed unless his presence is required by the

other directors for the purpose of eliciting information, and not director so required to be

present shall 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 (1 of 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 State Bank has entered into or made, or proposes to enter into or make, a

contract, loan, arrangement or proposal, or

(ii) a director ex-officio of the State Bank or a director of a subsidiary bank,²[or]]

³[(iii) an officer or other employee of the State Bank if he is a director appointed under Cl. (ca) or Cl. (cb)⁴[***] of Section 19.]

(4) If for any reason neither the Chairman nor the Vice-Chairman is able to be present at a

meeting of the Central Board, any director, ⁵[***] authorised by the Chairman in writing in

46

this behalf, and in the absence of such authorization,⁶[any director] elected by the directors

present from amongst themselves, shall preside at the meeting and, in the event of equality

of votes, shall have a second or casting vote.

1. Inserted by Act 56 of 1962, Section 2 (w.e.f. 14th December, 1962).

2. Added by Act 48 of 1973, Section 10 (w.e.f. 29th June, 1974).

3. Inserted by Act 48 of 1973, (w.e.f. 29th June, 1974).

4. Omitted by Act 3 of 1994, Section 16 (w.e.f. 15th October, 1993).

5. The words "other than a managing director," omitted by Act 48 of 1973, Section 10 (w.e.f. 29th June, 1974).

6. Substituted by Act 48 of 1973, Section 10, for the words, "any such director" (w.e.f. 29th June, 1974).

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

"(1) The Central Board shall meet at such time and place and shall observe such rules of procedure in regard to the

transaction of business at its meetings as may be prescribed.

(2) All questions at the meeting shall be decided by a majority of the votes of the directors present and in the case of

equality of votes, the Chairman or, in his absence, the Vice-Chairman shall have a second or casting vote."

47

Section 31-A - Meetings of Local Boards

1[(1) A Local Board shall meet at such time and place and shall observe such rules of

procedure in regard to the transaction of business at its meetings as may be prescribed.

(2) All questions at the meeting shall be decided by a majority of the votes of the members

present and in the case of equality of votes, the person presiding at the meeting shall have a

second or casting vote.

(3) A member who is directly or indirectly concerned, or interested in any contract, loan,

arrangement or proposal entered into or proposed to be entered into by or on behalf of the

State Bank, shall at the earliest possible opportunity, disclose the nature of his interest to

the Local Board and shall not be present at any meeting of the Local Board when any such

contract, loan, arrangement or proposal is discussed unless his presence is required by the

other members for the purpose of eliciting information, and no member so required to be

present shall vote on any such contract, loan, arrangement or proposal:

Provided that nothing contained in this sub-section shall apply to such member 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 (1 of 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 State Bank has entered into or made or proposes to enter into or make, a

contract, loan, arrangement or proposal; or

(ii) a director ex-officio of the State Bank or a director of a subsidiary bank.

(4) If for any reason neither the President nor the Vice-President is able to be present at a

meeting of the Local Board, any member,²[other than the Chief General Manager] elected by

the members present from amongst themselves shall preside at the meeting.

(5) Notwithstanding anything contained in this section, the Chairman shall preside at any

meetings of a Local Board at which he is present and in the absence of the Chairman, ³[the

48

managing director authorised by the chairman], shall, whenever he is present, preside at

such meetings.]

1. Inserted by Act 35 of 1964, Section 10 (w.e.f. 1st December, 1964).

2. Substituted by Act 48 of 1973, Section 11, for the words, "other than the secretary and treasurer" (w.e.f. 29th June, 1974).

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

"the Vice-Chairman, if he is a member of the Local Board"

Chapter 6 - BUSINESS OF THE STATE BANK

49

1[(1) A Local Board shall meet at such time and place and shall observe such rules of

procedure in regard to the transaction of business at its meetings as may be prescribed.

(2) All questions at the meeting shall be decided by a majority of the votes of the members

present and in the case of equality of votes, the person presiding at the meeting shall have a

second or casting vote.

(3) A member who is directly or indirectly concerned, or interested in any contract, loan,

arrangement or proposal entered into or proposed to be entered into by or on behalf of the

State Bank, shall at the earliest possible opportunity, disclose the nature of his interest to

the Local Board and shall not be present at any meeting of the Local Board when any such

contract, loan, arrangement or proposal is discussed unless his presence is required by the

other members for the purpose of eliciting information, and no member so required to be

present shall vote on any such contract, loan, arrangement or proposal:

Provided that nothing contained in this sub-section shall apply to such member 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 (1 of 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 State Bank has entered into or made or proposes to enter into or make, a

contract, loan, arrangement or proposal; or

(ii) a director ex-officio of the State Bank or a director of a subsidiary bank.

(4) If for any reason neither the President nor the Vice-President is able to be present at a

meeting of the Local Board, any member,²[other than the Chief General Manager] elected by

the members present from amongst themselves shall preside at the meeting.

(5) Notwithstanding anything contained in this section, the Chairman shall preside at any

meetings of a Local Board at which he is present and in the absence of the Chairman, 3[the managing director authorised by the chairman], shall, whenever he is present, preside at such meetings.]

1. Inserted by Act 35 of 1964, Section 10 (w.e.f. 1st December, 1964).

2. Substituted by Act 48 of 1973, Section 11, for the words, "other than the secretary and treasurer" (w.e.f. 29th June, 1974).

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

"the Vice-Chairman, if he is a member of the Local Board"

50

Section 32 - State Bank to act as agent of the Reserve Bank

(1) The State 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 branch¹[or where there is a branch of a subsidiary bank] and

where there is no branch of the banking department of the Reserve Bank, for--

(a) paying, receiving, collecting and remitting money, bullion and securities on behalf of any

Government in India; and

(b) undertaking and transacting any other business which the Reserve Bank may from time to time

entrust to it.

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

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 the State 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.

51

(4) The State Bank may transact any business or perform any functions entrusted to it under

sub-section (1)2[by itself or through a subsidiary bank] or through an agent approved by the

Reserve Bank.

1. Inserted by Act 38 of 1959, Section 64, Third Schedule and Pt. II, (w.e.f. 10th September, 1959).

2. Substituted by Act 38 of 1959, Section 64, Third Schedule and Pt. II, (w.e.f. 10th September, 1959).

Section 33 - Other business which the State Bank may transact

1[33. Other business which the State Bank may transact

Subject to the other provisions contained in this Act, the State Bank may carry on and

transact the business of banking as defined in Cl. (b) of Section 5 of the Banking Regulation

Act, 1949 (10 of 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.]

1. Substituted by Act 48 of 1973, Section 12, (w.e.f. 1st March, 1977).

Section 34 - Business which the State Bank may not transact

1[(1) to (5) * * *].

(6) Save as otherwise provided in2[this Act] the State Bank shall not own or; acquire

any3[* * *] immovable property except for the purpose of providing buildings or other

accommodation in which to carry on the business of the State Bank or for providing

residences for its officers and other employees :

Provided that if any such building or other accommodation is not immediately

required for any of the purposes of the State Bank, the State Bank may utilize it to

the best advantage by letting it out or in any other manner.

1. Sub-sections (1), (2), (3) (4) and (5) omitted by Act 48 of 1973, Section 13 (w.e.f. 1st

March, 1977).

2. Substituted by Act 56 of 1962, Section 2, for the words, "Section 33" (w.e.f. 14th

December, 1962).

3. The words, "interest in " omitted by Act 56 of 1962, Section 2 (w.e.f. 14th December, 1962).

52

53