

THE STATE BANK OF INDIA ACT, 1955

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THE STATE BANK OF INDIA ACT, 1955

ACT No. 23 OF 1955

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 (8th May, 1955).

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:—

CHAPTER I

PRELIMINARY

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

Short title
and commence-
ment

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

2. In this Act, unless the context otherwise requires,—

Definitions

(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;

²(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;

²(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;

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

³(h) "subsidiary bank" means a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959;

²(j) "Vice-Chairman" means the Vice-Chairman of the Central Board.

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

sup A

¹ Ins. by Act 38 of 1959, S. 64 and It. I, Pt. VI of Th. Sch.

CHAPTER II

INCORPORATION AND SHARE CAPITAL OF STATE BANK

Establishment
of the State
Bank

3. (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 Reserve Bank, 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.

Authorised
capital

4. Subject to the provisions of this Act, the authorised capital of the State Bank shall be twenty crores of rupees divided into twenty lakhs of fully paid up shares of one hundred 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 one hundred rupees each.

Issued capital

5. (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 Bank ¹[transferred to and vested in it under section 6.]

(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 Reserve Bank holds at any time less than fifty-five per cent of the issued capital 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.

CHAPTER III

TRANSFER OF UNDERTAKING OF THE IMPERIAL BANK TO STATE BANK

Transfer of
assets and
liabilities of the
Imperial Bank to
the State Bank

6. (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

¹ Subs. by Act 33 of 1955, S. 2 for "transferred to it" by para. 2 of the First Schedule (with retrospective effect).

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.

7. (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.

Transfer of service of existing officers and employees of the Imperial Bank to 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, or in any other law for the time being in force, the transfer of the services of any officer or other employee

¹ Subs. by Act 33 of 1955, S. 3 for the original sub-s. (3) (with retrospective effect).

of the Imperial Bank from that Bank to the State Bank shall not entitle such officer or other employee 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.

Existing
provident and
other funds of
the Imperial
Bank

8. 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 ;

there shall be substituted as trustees such persons as the Central Government may, by general or special order, specify.

Compensation
to be given to
shareholders of
Imperial Bank

9. (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 IV

SHARES

Transferability
of shares

10. (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 Reserve Bank 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 fifty-five per cent of the issued capital of the State Bank.

11. (1) No person shall be registered as a shareholder in respect of any shares 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 :

Restrictions on individual holdings

Provided that nothing contained in this sub-section shall apply to—

- (a) the Reserve Bank ;
- (b) a corporation ;
- (c) an insurer as defined in the Insurance Act, 1938 ;
- (d) a local authority ;
- (e) a co-operative society ; and
- (f) a trustee of a public or private religious or charitable trust.

(2) Notwithstanding anything contained in sub-section (1), no person referred to in the proviso to that sub-section, other than the Reserve Bank, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the issued capital.

12. 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, and also to be approved securities for the purposes of the Insurance Act, 1938, and the Banking Companies Act, 1949.¹

Shares to be approved securities

13. The State Bank shall keep at its Central Office a register in one or more books of the shareholders (in this Act referred to as the principal register), and shall enter therein the following particulars so far as they may be available :—

Principal register of shareholders

- (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.

14. (1) The State Bank shall cause to be kept at its local head offices branch registers which shall be deemed to be part of the principal register, and in which shall be entered the particulars as in the principal register of shareholders whose registered addresses are within the areas prescribed with reference to each register.

Branch registers

(2) Any shareholder may apply to have his name transferred from one branch register to another in respect of the whole, but not any part, of the shares standing in his name, and the State Bank shall, subject to such conditions as may be prescribed, cause the registers to be amended accordingly.

15. Notwithstanding anything contained in section 11, no notice of any trust, express, implied or constructive, shall be entered on the principal or any branch register or be receivable by the State Bank.

Trusts not to be entered on the register

¹ Now called the Banking Regulation Act, 1949.

CHAPTER V

MANAGEMENT

Offices, branches
and agencies

16. (1) Unless otherwise provided by the Central Government, by notification in the Official Gazette, the Central Office of the State Bank shall be at Bombay.

(2) The State Bank shall have local head offices in Bombay, Calcutta and Madras 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 existence ¹[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.

Management

17. (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.

Central Board
to be guided by
directions of
Central Govern-
ment

18. (1) In the discharge of its functions ²[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) All directions given by the Central Government shall be given through the Reserve Bank 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.

Composition of
the Central
Board

19. (1) The Central Board shall consist of the following, namely :—

(a) a chairman and a vice-chairman to be appointed by the Central Government in consultation with the Reserve Bank and after consideration ³[.....] of the recommendations made by the Central Board in that behalf;

(b) not more than two managing directors, if any, appointed ^{by the Central Government} by the Central Board with the approval of the Central Government ^{in consultation with the Reserve Bank}.

¹ Ins. by Act 33 of 1955, S. 4 (with retrospective effect).

² Ins. by Act 38 of 1959, S. 64 and It. 2, Pt. VI of Th. Sch. (w.e.f. 10-9-1959).

³ The words "except in case of first appointments" omitted by Act 35 of 1964, S. 3 (w.e.f. 1-12-1964).

¹[(bb) the presidents of the Local Boards appointed under sub-section (5) of section 21, ex-officio ;

(c) if the total amount of the holdings of the shareholders, other than the Reserve Bank, whose names are on the principal register three months before the date fixed for election of directors is—

(3A) A director appointed under clause (ca) or clause (cb) of sub-section (1) of Section 19 shall hold office for such term, not exceeding three years, as the Central Government may specify and thereafter until his successor shall have been duly appointed, and shall be eligible for re-appointment.

(1A) Notwithstanding anything contained in sub-section (1), the Central Government shall have the right to terminate the term of office of the chairman, vice-chairman 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.

(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;

(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;

number is four, then two of them, shall retire at the end of the said two years;

(iii) if the number of such directors holding office at the end of three years from the date of such reconstitution is not more than two, then one of such directors shall retire at the end of the said three years ;

¹ Subs. by Act 35 of 1964, S. 3 for cls. (c) and (d) (w.e.f. 1-12-1964).

² Sub-ss. (2) and (3) omitted by Act 35 of 1964, S. 3 (w.e.f. 1-12-1964).

³ The words "or in the case of the first two appointments the Central Govt." omitted by Act 35 of 1964 S. 4 (w.e.f. 1-12-1964).

⁴ Subs. by Act 35 of 1964, S. 4, for sub-s. (5) (w.e.f. 1-12-1964).

- (iv) any such director holding office for a period of four years from the date of such re-constitution shall retire at the end of such period ;
- (v) the director or directors to retire at the end of each year under clauses (i), (ii) and (iii), shall be determined by lot.]

Local Board

¹[21. (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:—

- (a) the chairman, ex-officio;
- (b) all such directors elected or nominated to the Central Board under clause (c) or clause (d) of sub-section (1) of section 19 as are ordinarily resident in the area served by the branch register of the local head office;
- (c) six members to be nominated by the Central Government in consultation with the Reserve Bank;
- (d) one member to be elected in the prescribed manner by the shareholders, other than the Reserve Bank, whose names are entered in the branch register of the local head office, if the total holdings of such shareholders amount to two and a half per cent or more of the total issued capital:

Provided that a person elected as a member of a Local Board under this clause shall not cease to be a member thereof for reason only that the total holdings as aforesaid fall below two and a half per cent of the total issued capital, at any time after his election;

- (e) the ~~secretary~~ ^{chief general manager} and treasurer of the local head office, appointed by the State Bank, ex-officio.

(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 served by the branch register 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 clause (c) or clause (d) of sub-section (1) and is ordinarily resident in the area served by the branch register 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 or, as the case may be, elected 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) Notwithstanding anything contained in clause (d) of sub-section (1),—

- (a) on the reconstitution of an existing Local Board for the first time on or after the commencement of the State Bank of India (Amendment) Act, 1964, or

¹ Subs. by Act 35 of 1964, S. 5 for S. 21 (w.e.f. 1-12-1964).

- (b) on the constitution of a new Local Board under sub-section (2) of which an elected member of an existing Local Board does not in pursuance of that sub-section become a member,

the Reserve Bank shall nominate a member in place of the member to be elected under that clause and such nominated member shall be deemed to have been elected under the said clause.

(5) The Governor of the Reserve Bank shall, in consultation with the chairman, appoint—

- (a) a member of a Local Board nominated or elected under clause (c) or clause (d) of sub-section (1) to be the president thereof, and
- (b) a member of a Local Board holding office under clause (b) or nominated or elected under clause (c) or clause (d) of that sub-section to be the vice-president thereof.]

¹[21A. (1) Subject to the provisions contained in this section and in sub-section (2) of section 21, a member of a Local Board nominated under clause (c) of sub-section (1) of section 21 or elected under clause (d) of that sub-section shall hold office for two years and thereafter until his successor has been duly nominated or elected and shall be eligible for re-nomination or re-election, as the case may be:

Term of office of members of Local Board

Provided that out of the six members nominated under clause (c) of sub-section (1) of section 21, on the constitution of a new Local Board or the reconstitution of an existing Local Board for the first time on or after the commencement of the State Bank of India (Amendment) Act, 1964, three shall retire at the end of one year and three shall retire at the end of two years from the date of the constitution or, as the case may be, reconstitution of that Local Board, and the members to retire at the end of the first year shall be determined by lot.

(2) A member of a Local Board nominated by the Reserve Bank under sub-section (4) of section 21 shall retire at the expiry of one year from the date of such nomination.

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

In relation to the business of banking and the forms of business set out in clauses (a), (b), (e), (f), (g), (h), (i), (k), and (l) of sub-section (1) of section 6 of the Banking Regulation Act, 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

slip 'A'

"Provided that a Local Board shall transact the businesses 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 businesses to the Local Boards.

slip 'B'

slip 'A'

Local
Committees

21C. (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) The Chairman 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.]

Disqualifications
for directorship
of Central Board
or membership
of Local Boards
or Committees

22. (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

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

of unencumbered shares in the State Bank of a nominal value of at least five

Provided that in the case of a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 19, the disqualification mentioned in clause (d) shall not operate;

Provided further that

(2) No two persons who are partners of the same firm or the 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 the Local Committee as from the date of such election or nomination, as the case may be.

¹ Subs. by Act 26 of 1959, S. 2(a) for "or Managing Director".

² Ins. by Act 35 of 1964, S. 7 (w.e.f. 1-12-1964).

³ Subs. by Act 35 of 1964, S. 7 for the former proviso (w.e.f. 1-12-1964).

[(4) In this section,—

- (a) "banking company" has the same meaning as in the Banking Companies Act, 1949²;
- (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.]

23. If a director of the Central Board or a member of a Local Board or a Local Committee—

Vacation of office of directors, etc.

- (a) becomes subject to any of the disqualifications mentioned in section 22; or
- (b) resigns his office by giving notice in writing under his hand, in the case of the chairman and vice-chairman to the Central Government and in the case of other directors or members of Local Boards or 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.

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24. (1) The Central Government may, after consulting the Reserve Bank, remove from office the chairman or the vice-chairman, chairman, vice-chairman or a managing director.

Removal from office of directors, etc.

(2) The Central Board may, with the approval of the Central Government, remove from office a managing director.

(3) The Central Government, after consulting the Reserve Bank, may remove from office any director appointed under clause (a) of sub-section (1) of section 19 [or any member of a Local Board nominated under clause (c) of sub-section (1) of section 21] and nominate in his stead another person to fill the vacancy.

(4) The shareholders, other than the Reserve Bank, 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 clause (c) of sub-section (1) of section 19 and elect in his stead another person to fill the vacancy.

(5) The shareholders whose names are entered on a branch register, other than the Reserve Bank, may, by a resolution passed by the votes of the shareholders holding in the aggregate not less than one-half of the share capital on the branch register held by such shareholders, remove any elected member of a Local Board and elect in his stead another person to fill the vacancy.

(6) No person shall be removed from his office under sub-section (1) or sub-section (2) or sub-section (3) unless he has been given an opportunity of showing cause against his removal.

(1) If the chairman, vice-chairman 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.

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circumstances not involving the vacation of his office, the Central Government may, in the case of the chairman or vice-chairman, in consultation with the Reserve Bank and after considering the recommendations of the Central Board, and the Central Board may, in the case of a managing director with the approval of the Central Government, appoint another person to officiate in

Slip A
 a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 19 or of a member of a Local Board other than the chief general manager.

(a) in the case of a director

(b) in the case of a director nominated under clause (d) of sub-section (1) of section

Slip B
 (4) Where any vacancy occurs before the expiry of the term of office of a director appointed under clause (ca) or clause (cb) of sub-section (1) of section 19, 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 (3A) of section 20.

Remuneration of directors

26. (1) Without prejudice to the provisions contained in sections 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 Reserve Bank.

Powers and remuneration of chairman

27. (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 perquisites *as may be determined by the Central Board with the approval of the Central Government* *as may be determined by the Central Government*.

Provided that in respect of the first chairman, the Central Government may determine his salary, fees, allowances and perquisites.

Powers and remuneration of vice-chairman

28. (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 perquisites *as may be determined by the Central Board with the approval of the Central Government* *as may be determined by the Central Government*.

Provided that in respect of the first vice-chairman, the Central Government may determine his salary, fees, allowances and perquisites.

¹ Subs. by Act 35 of 1964, S. 9 for sub.-s. (2) (w.e.f. 1-12-1964).

(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.

29. (1) A managing director—

Powers and remuneration of managing director

(a) shall be a whole-time officer of the State Bank ; and

(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.

(2) A managing director shall receive such salary and allowances ~~as may be determined by the Central Board with the approval of the Central Government :~~ *as may be determined by the Central Government*

Provided that in respect of the first managing director or directors, the Central Government may determine the salary and allowances payable to him or them.

30. 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.

Executive and other committees of the Central Board

31. (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.

Meetings of the Central Board

(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.

(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 no director so required to be present shall vote on any such contract, loan, arrangement or proposal:

¹Provided 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 State Bank has entered into or made, or proposes to enter into or make, a contract, loan, arrangement or proposal ; or

(iii) an officer or other employee of the State Bank, if he is a director appointed under clause (ca) of clause (cb) of sub-section (1) of section 19.

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Chairman in writing in this behalf, and in the absence of such authorisation, 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.

any director

¹ Ins. by Act 56 of 1962, S, 2,