

Meetings of
Local
Boards

31A. (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, 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, other than the ~~secretary and treasurer~~ ^{chief executive 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 meeting of a Local Board at which he is present and in the absence of the chairman, the vice-chairman, if he is a member of the Local Board, shall, whenever he is present, preside at such meeting.]

CHAPTER VI

BUSINESS OF THE STATE BANK

State Bank to
act as agent of
the Reserve
Bank

32. (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 branch. ²[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.

¹ Ins. by Act 35 of 1964, S. 10 (w.e.f. 1-12-1964).

² Ins. by Act 38 of 1959, S. 64 and It. 3(a), Pt. VI of Th. Sch.

(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.

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

As per slip 'A'

33. Subject to the other provisions contained in this Act, the State Bank may carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act, 1949, and may engage in one or more of the other forms of business specified in sub-section (1) of section 6 of that Act. *Slip A*

Board, municipal board, committee or other local authority under the authority of any Central Act, Provincial Act or State Act or of any law for the time being in force in any other country in which the State Bank has a branch;

- (c) subject to such directions as may be issued by the Central Board, debentures of companies with limited liability registered either in India or in such other country as the Central Government may approve in this behalf;
- (d) subject to such directions as may be issued by the Central Board, shares and debentures of corporations established ²[by or under any law for the time being in force in India other than companies with limited liability];
- (e) goods which, or the documents of title to which, are deposited with or assigned to the State Bank as security for such advances, loans or credits;
- (f) ³[goods or other assets which are hypothecated or assigned] to the State Bank as security for such advances, loans or credits, if so authorised by special directions of the Central Board;
- ⁴[(ff) subject to such directions as may be issued by the Central Board, book-debts or other assets of any undertaking engaged in the financing of hire-purchase transactions which are hypothecated to the State Bank as security for such advances, loans or credits];
- (g) accepted bills of exchange and promissory notes endorsed by payees, and joint and several promissory notes of two or more persons or firms unconnected with each other in general partnership;
- (h) fully paid shares of companies with limited liability or immovable property or documents of title relating thereto as collateral security only where the original security is one of those specified in sub-clauses (a) to (e) and, subject to such directions as may be issued by the Central Board, where the original security is one of the kinds specified in sub-clauses ⁵[(f), (ff) and (g)]:

¹ Subs. by Act 38 of 1959, S. 64 and It. 3(b), Pt. VI of Th. Sch. for "either by itself".

² Subs. by Act 26 of 1959, S. 4(a), for "under any law for the time being in force in India".

³ Subs. by Act 58 of 1968, S. 29(a), for the words "goods, which are hypothecated".

⁴ Ins. by Act 21 of 1957, S. 4(1)(a).

⁵ Subs. by Act 21 of 1957, S. 4(1) (b) for "sub-cl. (f) and (g)".

Provided that where the Central Government or a State Government or any Government or authority outside India, which the Central Government may approve in this behalf, may accept from the State Bank any advances or loans under any law for the time being in force, the Central Board may, if it thinks fit, make such advances or loans without any specific security;

- (ii) the selling and realisation of the proceeds of sale of any promissory notes, debentures, stock-receipts, bonds, annuities, stock, shares, securities or goods which, or the documents of title to which, have been deposited with, or pledged, hypothecated, assigned or transferred to the State Bank as security for such advances, loans or credits or which are held by the State Bank or over which the State Bank is entitled to any lien or charge in respect of any loan, advance, credit or claim of the State Bank, and which have not been redeemed in due time in accordance with the terms and conditions of such deposit, pledge, hypothecation, assignment or transfer;
- (iii) the drawing, accepting, discounting, buying and selling of bills of exchange and other negotiable securities;
- (iv) the investing of the funds of the State Bank upon any of the securities specified in sub-clauses (a) to (d) of clause (i) and the conversion of the same into money whenever required, and the alteration, conversion or transposition of any such investment for or into any of the other investments above specified;
- ¹[(iva) the keeping or maintenance of deposits or cash accounts with any banking institution;]
- (v) the issuing of demand drafts, telegraphic transfers and other kinds of remittances made payable at its own offices, branches or agencies, the purchasing of drafts, telegraphic transfers and other remittances, and the making, issuing and circulating of letters of credit to order or otherwise than to the bearer on demand;
- (vi) the buying and selling of gold and silver, whether coined or uncoined;
- (vii) the receiving of deposits and keeping cash accounts on such terms as may be agreed upon;
- (viii) the receiving of all kinds of bonds, scrips, title deeds or valuables on deposit or for safe custody or otherwise on such terms as may be agreed upon;
- (ix) the selling and realising of all property, whether movable or immovable, which may in any way come into the possession of the State Bank in satisfaction or part satisfaction of any of its claims, and the acquisition and holding of and generally the dealing with, any right, title or interest in any property, movable or immovable, which may be the State Bank's security for any loan or advance or may be connected with any such security;
- (x) the acting as agent of any co-operative bank which is registered or deemed to be registered under the Co-operative Societies Act, 1912 or any other law for the time being in force in any part of India relating to co-operative societies in the transaction of such business, and on such terms as may be agreed upon;
- ²[(xa) the acting as agent for the Central Government or any State Government or any corporation in implementing any scheme for financing the construction of dwelling houses, and in advancing or lending of money from out of the funds placed at its disposal as such agent by the Government or corporation to any person upon such

¹ Ins. by Act 38 of 1959, S. 64 and It. 4(a), Pt. VI of Th. Sch. (w.e.f. 10-9-1959).

² Ins. by Act 21 of 1957, S. 4(2).

security (including the security of any immovable property) and on such terms and conditions and for such periods as may, notwithstanding anything contained in this Act, be approved by the Government or corporation by which such funds have been placed;]

(xi) the underwriting of the issues of any stocks, shares, debentures or other securities in which the State Bank is authorised to invest its funds under clause (iv);

¹[(xii) the transacting of pecuniary agency business on commission;

(xiiia) the entering into contracts of indemnity, suretyship or guarantee with specific security or otherwise;]

(xiiib) the administration, whether alone or jointly with other persons, of estates, for any purpose, whether as executor, trustee or otherwise, the acting, whether alone or jointly with other persons, as trustee under any settlement or debenture trust deed, or as liquidator of any banking institution, or the acting as an agent on commission in the transaction of the following kinds of business, namely:—

(a) the buying, selling, transferring and taking charge of any securities or any shares in any public company;

(b) the receiving of the proceeds (whether principal, interest or dividends) of any securities or shares;

(c) the remittance of such proceeds by bills of exchange, payable either in India or elsewhere;

(xiv) the drawing of bills of exchange and the granting of letters of credit payable out of India;

(xv) the buying of bills of exchange payable out of India at any usance not exceeding fifteen months in the case of bills relating to the financing of seasonal agricultural operations or six months in other cases;

(xvi) the borrowing of money for the purposes of the business of the State Bank, and the giving of security for money so borrowed by pledging assets or otherwise;

(xvii) the advancing or lending of money to, or the opening of cash credit in favour of, any company having a share capital which is expressed in rupees in its memorandum of association or any society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in India relating to co-operative societies, for the purpose of averting the winding up of the company or society or, where any such company or society is being wound up, for the purpose of facilitating such winding up, for any period upon the security of all or any of the assets whatsoever of such company or society and such advance, loan or cash credit may be made by the State Bank either alone or conjointly with other persons;

(xviii) the advancing and lending of money to courts of wards upon the security of estates in their charge or under their superintendence and the realisation of such advances or loans and any interest due thereon, provided that no such advance or loan shall be made without the previous sanction of the State Government concerned, and that the period for which any such advance or loan is made shall not exceed fifteen months in the case of advances or loans relating to the financing of seasonal agricultural operations and ²[twelve months] in other cases;

¹ Subs. by Act 26 of 1959, S. 4(b) for the original clause.

² Subs. by Act 58 of 1968, S. 28(b) for the words "six months".

- (xix) with the approval of the Reserve Bank, the subscribing to, buying, acquiring or holding, and the selling of any shares in or the capital of any banking institution, [the forming or conducting of any such banking institution as a subsidiary of the State Bank or in any other manner and the granting of subsidies or the advancing or lending of moneys to any such subsidiary;]
- ²{(xixa) in consultation with the Reserve Bank and subject to the directions of the Central Board, the subscribing to, buying, acquiring, holding or selling of any shares or debentures of any such financial institution as may be notified by the Central Government in this behalf;
- ³{(xixaa) contributing to the initial capital of the Unit Trust of India established under the Unit Trust of India Act, 1963;}
- (xixb) ⁴[the advancing or lending of money to or discounting or purchase of any negotiable instrument on behalf of] persons engaged in such industries or classes of industries ⁵[or in such business or trade or classes of business or trade] as may be specified by the Central Board by directions issued in this behalf, for any period ⁶[in excess of twelve months but not exceeding fifteen years], and subject thereto and to such directions as may be issued by the Central Board, such advance or loan may be made on such terms and conditions and upon such security (including the security of any immovable property) as the State Bank may deem fit;
- (xixc) the advancing or lending of money to any co-operative housing society, all the members of which are officers or employees of the State Bank, and subject to such directions as may be issued by the Central Board, such advance or loan may be made for such periods in excess of ⁷[twelve months], on such terms and conditions and upon such security (including the security of any immovable property) as the State Bank may deem fit;}
- (xx) the subsidising from time to time of the pension funds referred to in section 8, if necessary;
- ⁸{(xxa) notwithstanding anything to the contrary contained in any other law for the time being in force, the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of the employees of the State Bank or dependants of such employees or for the purposes of the State Bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;}
- (xxi) the doing of any other kind of business which the Central Government, in consultation with the Reserve Bank and on the recommendation of the Central Board, may authorise;
- (xxii) the performance of the functions entrusted to, or required of, the State Bank by this Act or by any other law for the time being in force; and
- (xxiii) generally, the doing of all such matters and things as may be incidental or subsidiary to the transacting of the various kinds of business, including foreign exchange business, herein specified.

¹ Subs. by Act 38 of 1959, S. 64 and It. 4(b), Pt. VI of Th. Sch. (w.e.f. 10-9-1959).

² Ins. by Act 21 of 1957, S. 4(3).

³ Ins. by Act 52 of 1963, S. 44 and Sch. II, Pt. IV (w.e.f. 1-2-1964).

⁴ Subs. by S. 29(c)(1) of Act 58 of 1968 for the words "advancing or lending of money to" (w.e.f. 1-2-1969).

⁵ Ins. by Act 35 of 1962, S. 7.

⁶ Subs. by S. 29(c) (i) of Act 58 of 1968 for the words "in excess of six months but not exceeding ten years" (w.e.f. 1-2-1969).

⁷ Subs. by Act 58 of 1968, S. 29(d) for the words "six months" (w.e.f. 1-2-1969).

⁸ Ins. by Act 26 of 1959, S. 4(c).

34. (1) The State Bank shall not make a loan or advance—
- (a) for a longer period than ¹[twelve months] except as otherwise provided in this Act; or
 - (b) upon the security of stock or shares of the State Bank; or
 - (c) upon the security of any immovable property or the documents of the title relating thereto, except to the extent necessary for any of the purposes of this Act.
- (2) The State Bank shall not, except upon a security of the kind specified in sub-clauses (a) to (e) of clause (i) of section 33 discount bills for any individual or firm for an amount exceeding in the whole at any one time such sum as may be prescribed, or lend or advance in any way to any individual or firm an amount exceeding in the whole at any one time such sum as may be prescribed.
- ²{(3) The State Bank shall not discount or purchase or advance or lend or open cash credits on the security of—
- (a) any negotiable instrument of any individual or firm payable at the place where it is presented which does not carry on it the several responsibilities of at least two persons or firms unconnected with each other in general partnership;
 - (b) any negotiable instrument or security (not being an instrument or security in which a trustee may invest trust money under section 20 of the Indian Trusts Act, 1882, or the corresponding provision of the law for the time being in force in any country where the State Bank has a branch) which does not mature within—
 - (i) fifteen months from the date of such discount, purchase, loan, advance or opening of cash credits, if the instrument or security is drawn or issued for the purpose of financing seasonal agricultural operations; and
 - ³[(ii) save as otherwise provided in this Act, twelve months from the date aforesaid if the instrument or security is drawn or issued for any other purpose.]
- ⁴[Provided that nothing in sub-clause (ii) of clause (b) shall apply where the State Bank holds by way of a collateral security any negotiable instrument or security which does not mature within ⁵[twelve months] from the date aforesaid in respect of any loan, advance or cash credit sanctioned under this Act.]
- (4) [* * * * *]
- (5) Nothing contained in this section shall prevent the State Bank from allowing any person who keeps an account with the State Bank to overdraw such account without security ⁶[or without security of a description authorised by this Act] to such extent as may be prescribed.
- (6) Save as otherwise provided in ⁷[this Act], the State Bank shall not own or acquire any ⁸[.....] 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:

Business which
the State Bank
may not
transact

¹ Subs. by Act 58 of 1968, S. 30(b) for the words "six months" (w.e.f. 1-2-1969).
² Subs. by Act 26 of 1959, S. 5 for the original sub-ss. (3) and (4).
³ Subs. by Act 58 of 1968, S. 30(b)(i) for the original clause (ii) (w.e.f. 1-2-1969).
⁴ Ins. by Act 35 of 1962, S. 7.
⁵ Subs. by Act 58 of 1968, S. 30(b)(2) for the words "six months" (w.e.f. 1-2-1969).
⁶ Ins. by Act 56 of 1962, S. 2.
⁷ Subs. by Act 56 of 1962, S. 2 for "section 33".
⁸ The words "interest in" omitted by Act 56 of 1962, S. 2.

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.

State Bank may
acquire the
business of
other banks

35. (1) The State Bank may, with the sanction of the Central Government, and shall, if so directed by the Central Government in consultation with the Reserve Bank, enter into negotiations for acquiring the business, including the assets and liabilities, of any banking institution.

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

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

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

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

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

(7) Any business acquired under this section shall thereafter be carried on by the State Bank in accordance with the provisions of this Act, subject to such exemptions or modifications as the Central Government may, by notification in the Official Gazette, make in this behalf in consultation with the Reserve Bank:

Provided that no such exemption or modification shall be made so as to have effect for a period of more than seven years from the date of acquisition.

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

¹ Subs. by Act 26 of 1959, S. 6 for the original sub-ss. (2), (3) and (4).

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

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

- (a) the provisions of the Companies Act, 1956, or the Banking Companies Act, 1949¹, or any other law for the time being in force or any instrument having effect by virtue of any such Act or law, in so far as they are inconsistent with such directions shall cease to apply to or in relation to that banking institution;
- (b) all persons in charge of the management, including any person holding office as manager or director of the banking institution immediately before the issue of such directions, shall be deemed to have vacated their offices as such; and
- (c) the person appointed to take over the management of the banking institution shall in accordance with those directions take all such steps as may be necessary to facilitate the winding up of its affairs and distribution of its assets.

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

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

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

CHAPTER VII

FUNDS, ACCOUNTS AND AUDIT

36. (1) The State Bank shall maintain a special fund to be known as the Integration and Development Fund into which shall be paid—

- (a) the dividends payable to the Reserve Bank on such shares of the State Bank held by it as do not exceed fifty-five per cent of the total issued capital; and
- (b) such contributions as the Reserve Bank or the Central Government may make from time to time.

Integration and
Development
Fund

¹ Now called the Banking Regulation Act, 1949.

¹[Provided that if the balance in the Integration and Development Fund on the date of declaration of any dividends by the State Bank is rupees five crores or more, no amount shall be paid into that Fund under clause (a) and the dividends payable to the Reserve Bank shall be paid to that Bank; and if such balance on such date is less than rupees five crores, only so much of the dividends then payable as will bring such balance to rupees five crores shall be paid into that Fund and the balance of such dividends shall be paid to the Reserve Bank.]

(2) The amount in the said Fund shall be applied exclusively for meeting—

(a) losses in excess of such yearly sum as may be agreed upon between the Reserve Bank and the State Bank and attributable to the branches established in pursuance of sub-section (5) of section 16; ²[* * * *]

³[(aa) subsidies granted by the State Bank to a subsidiary bank with the approval of the Reserve Bank; and]

(b) such other losses or expenditure as may be approved by the Central Government in consultation with the Reserve Bank.

(3) Subject to the provisions of sub-section (2), the said Fund shall be the property of the Reserve Bank and no shareholder of the State Bank or any other person shall have any claim to the amount held in the said Fund.

⁴[(4) No amount applied for any of the purposes specified in sub-section (2) shall, for the purposes of the Indian Income-tax Act, 1922,⁵ be treated as income, profits or gains of the State Bank.]

Reserve Fund

37. The State Bank shall establish a Reserve Fund which shall consist of—

(a) the amount held in the Reserve Fund of the Imperial Bank transferred to the State Bank on the appointed day; and

(b) such further sums as may be transferred to it by the State Bank out of its annual net profits before declaring a dividend.

Disposal of profits

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

(2) Subject to the provisions of paragraph 6 of the First Schedule, the rate of dividend shall be determined by the Central Board.

Books to be balanced each year

39. The Central Board shall cause the books of the State Bank to be closed, and balanced ^{on} the 31st day of December in each year.

Returns

40. (1) The State Bank shall furnish to the Central Government and to the Reserve Bank within three months from the 31st day of December, ^{the} balance as on which its books are closed and balanced

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

(3) The State Bank shall also, within two months from the date on which its accounts are closed and balanced, transmit to the Central Government and the Reserve Bank a statement showing, as far as may be available, the name, address and occupation of, and the number of shares held by, each shareholder of the State Bank as on the said date.

41. (1) The affairs of the State Bank shall be audited by two ^{or more} auditors duly qualified to Audit act as auditors of companies under [section 226 of the Companies Act, 1956], who shall be appointed by the Reserve Bank in consultation with the Central Government.

(2) The auditors shall receive such remuneration as the Reserve Bank may fix in consultation with the Central Government.

(3) An auditor may be a shareholder but no director or member of a Local Board or of a Local Committee or an officer of the State Bank shall be eligible to be an auditor during his continuance in office as such director, member or officer.

(4) An auditor shall on relinquishing office be eligible for re-appointment.

(5) The auditors shall severally be, and continue to act as, auditors until the ²[annual] general meeting after their respective appointment, and if any vacancy arises before the expiry of the term of office of an auditor, the vacancy may be filled by the Reserve Bank.

(6) Every auditor shall be supplied with a copy of the annual balance sheet and profit and loss account, and a list of all books kept by the State Bank, and it shall be the duty of the auditor to examine the balance sheet and profit and loss account with the accounts and vouchers relating thereto, and in the performance of his duties, the auditor—

(a) shall have, at all reasonable times, access to the books, accounts and other docu-

Explanation 1 - For the purposes of this Act.

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

(b) the profit and loss account shall not be treated as not showing a true balance of profit or loss for the period covered by such account.

merely by reason of the fact that the balance-sheet or, as the case may be, the profit and loss account, does not disclose any matters which are, by the provisions of the Banking Regulation Act, 1949, read with the relevant provisions of this Act, not required to be disclosed.

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

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

(ii) the provisions referred to in clause (i) are specified in the balance-sheet and profit and loss account of the State Bank or in the auditors' report.

(9) Without prejudice to anything contained in the forgoing provisions, the Central Government may appoint at any time such auditors as it thinks fit to examine and report on the accounts of the State Bank.

Balance sheet
etc., of State
Bank may be
discussed at
general meeting

in each year
42. (1) A general meeting ⁽¹⁾[in this Act] referred to as an annual general meeting) shall be held ^{at} such time and at such place where there is a local head office of the State Bank, as shall from time to time be specified by the Central Board ~~before the end of ⁽²⁾[March] in each year,~~ and a general meeting may be convened by the State Bank at any other time:

Sub 1
Provided that such annual general meeting shall be held before the expiry of six weeks from the date on which the balance-sheet, together with the profit and loss account and auditors' report, is, under sub-section (1) of section 40, forwarded to the Central Government or to the Reserve Bank, whichever date is earlier.

MISCELLANEOUS

State Bank may
appoint officers
and other
employees

43.³(1) The State Bank may appoint such number of officers, advisers and employees as it considers necessary or desirable for the efficient performance of its functions, and determine the terms and conditions of their appointment and service.

⁴(2) The officers, advisers and employees of the State Bank shall exercise such powers and perform such duties as may be entrusted or delegated to them by the Central Board.]

Obligation as
to fidelity and
secrecy

44. (1) The State Bank shall observe, except as otherwise required by law, the practices and usages customary among bankers, and, in particular, it shall not divulge any information relating to or to the affairs of its constituents except in circumstances in which it is, in accordance with the law or practice and usage customary among bankers, necessary or appropriate for the State Bank to divulge such information.

(2) Every director, member of a Local Board or of a Local Committee, auditor, adviser, officer or other employee of the State Bank shall, before entering upon his duties, make a declaration of fidelity and secrecy as in the form set out in the Second Schedule.

Bar to liqui-
dation of
State Bank

45. No provision of law relating to the winding up of companies shall apply to the State Bank, and the State Bank shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

Indemnity of
directors and
members of
Local Boards
and Local
Committees, etc.

46. (1) Every director and every member of a Local Board or a Local Committee shall be indemnified by the State Bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as are caused by his own wilful act or default.

(2) Neither a director nor a member of a Local Board or a Local Committee shall be responsible for any loss or expense caused to the State Bank by the insufficiency or deficiency of the value of or title to any property or security acquired or taken on behalf of the State Bank or by the insolvency or wrongful act of any customer or debtor or by anything done in or in relation to the execution of the duties of his office or otherwise than for his wilful act or default.

¹ Subs. by Act 26 of 1959, S. 9 for "hereinafter".

² Subs. by Act 21 of 1957, S. 5 for "February".

³ S. 43 renumbered as sub-s. (1) of that Section by Act 35 of 1964, S. 14 (w.e.f. 1-12-1964).

⁴ Ins. by Act 35 of 1964, S. 14 (w.e.f. 1-12-1964).

47. (1) No act or proceeding of the Central Board or of a Local Board or a Local Committee shall be questioned on the ground merely of the existence of any vacancy or defect in the constitution of the Board or Committee, as the case may be.

Defects in appointment or constitution not to invalidate acts or proceedings

(2) All acts done by any person acting in good faith as a director or as a member of a Local Board or of a Local Committee shall, notwithstanding that there was some defect in his appointment or qualifications, be as valid as if he was a director of the Central Board or a member of the Local Board or the Local Committee, as the case may be.

make rules to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

sup B

Power to remove difficulties

Power of Central Government to make rules

rules may provide for—

- (a) the procedure for the payment of compensation² under this Act;
- (b) the determination of persons to whom the said compensation shall be payable in all cases, including cases where shares in the Imperial Bank have been held by
- (c) the manner of appointment of a director under clause (ca) of clause (cb) of subsection (1) of section 19, and all other matters connected therewith or incidental thereto.

sup C

Power of Central Board for regulations

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

- (a) the nature of shares of the State Bank, the manner in which and the conditions subject to which shares may be held and transferred and generally all matters relating to the rights and duties of shareholders;
- (b) the maintenance of share registers, and the particulars to be entered in the principal register in addition to those specified in section 13, the areas to be served by each branch register, the inspection and closure of the registers and all other matters connected therewith;
- (c) the holding and conduct of elections under this Act, including the allocation of elected directors to the various areas served by the different branch registers, and the final determination of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections;
- ³[(d) the powers, functions and duties of Local Boards and the restrictions, conditions or limitations, if any, subject to which they may be exercised or performed, the formation and constitution of Local Committees (including the number of members of any such Committee) and of committees of Local Boards, the powers, functions and duties of such Committees, the holding of meetings of Local Committees and committees of Local Boards and the conduct of business thereat;]
- (e) the fees and allowances which may be paid to directors, or members of Local Boards or Local Committees for attending any meetings of the Central Board

¹ Rep. by Act 35 of 1964, S. 15 (w.e.f. 1-12-1964).

² For the State Bank (Compensation on Imperial Bank Shares) Rules, 1955, see Gazette of India Extraordinary, Pt. II, sec. 3, page 1409.

³ Subs. by Act 35 of 1964, S. 16 for cl. (d) (w.e.f. 1-12-1964).

or of its committees or of the Local Boards or Local Committees, as the case may be, or for attending to any other work of the State Bank;

- (f) the manner in which the business of the Central Board [or of Local Boards] shall be transacted and the procedure to be followed at the meetings thereof;
- (g) the formation of committees of the Central Board and the delegation of powers and functions of the Central Board to such committees and the conduct of business in such committees;
- (h) ²[* * * * *]
- (i) the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised;
- (j) the holding of meetings of shareholders on branch registers and the business to be transacted thereat;
- (k) the manner in which notices may be served on behalf of the State Bank upon shareholders or other persons;
- (l) the provision of seals for the State Bank and the manner and effect of their use;
- (m) the conduct and defence of legal proceedings and the manner of signing pleadings;
- (n) the duties and conduct of officers, other employees, advisers and agents of the State Bank;
- ³(o) the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of the employees of the State Bank or of the dependants of such employees or for the purposes of the State Bank, and the granting of superannuation allowances, annuities and pensions payable out of any such fund;]

- (p) the form and manner in which contracts binding on the State Bank may be
- (q) the terms, conditions, stipulations, restrictions and limitations, if any, in the transaction by the State Bank of its businesses in regard to the advancing or lending of money or the discounting or purchase of any instrument, negotiable or otherwise, with or without reference to any security, purpose, amount, period or otherwise;

the relatives of such directors, members or officers or of any company, individuals with which or with whom such directors, members, officers, or relatives, are connected as partners, directors, managers, servants, shareholders or otherwise;

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

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

made
upon
shall

have force accordingly until they are amended or repealed.

¹ Ins. by Act 35 of 1964, S. 16. (w.e.f. 1-12-1964).

² Cl. (h) omitted by Act 35 of 1964, S. 16 (w.e.f. 1-12-1964).

³ Subs. by Act 26 of 1959, S. 10 for the original clause.

⁴ Ins. by Act 56 of 1962, S. 2.

¹[51. If, according to the laws of any country outside India, the provisions of this Act by themselves are not effective to transfer to and vest in the State Bank any asset or liability which forms part of the undertaking of the Imperial Bank and which is situate in that country, the Imperial Bank shall take all such steps as may be required by the laws of that country for the purpose of effecting or perfecting such transfer and vesting, and in connection therewith the Imperial Bank may realise any asset and discharge any liability and transfer the net proceeds thereof to the State Bank.]

Requirements of foreign law to be complied with in certain cases

52. ²[* * * * *] Amendment of Act II of 1934
 53. ³[* * * * *] Amendment of Act X of 1949
⁵{ 54. ⁴[* * * * *] Amendment of Act XLVII of 1920

55. On and from the appointed day, no person shall make any claim or demand or take any proceeding in India against the Imperial Bank or a director, officer or other employee thereof in his capacity as such director, officer or employee except in so far as may be necessary for enforcing the provisions of this Act or except in so far as it relates to any offence committed by any such director, officer or employee.

No proceeding to lie in India against Imperial Bank after appointed day

56. On and from the appointed day, any reference to the Imperial Bank or to the Bank of Bengal, the Bank of Madras or the Bank of Bombay in any law (other than this Act or the Imperial Bank of India Act, 1920) or in any contract or other instrument shall, except as otherwise provided in any general or special order made by the Central Government, be deemed to be a reference to the State Bank.

References to the Imperial Bank, the Bank of Bengal, etc. in other laws

57. (1) On such day as the Central Government may, by notification in the Official Gazette, specify in this behalf, the Imperial Bank shall stand dissolved, and the Imperial Bank of India Act, 1920, shall stand repealed.

Dissolution of Imperial Bank, etc.

(2) On the day specified in the notification under sub-section (1), the State Bank shall pay to the Reserve Bank a sum of ten lakhs of rupees.

(3) If, on the day specified in the notification under sub-section (1), the Imperial Bank has in its possession or custody any assets created on or after the appointed day, such assets shall be disposed of in accordance with the directions issued by the Central Government in this behalf.]

THE FIRST SCHEDULE

(See section 9)

COMPENSATION FOR THE TRANSFER OF SHARES OF THE IMPERIAL BANK TO THE RESERVE BANK

1. In this Schedule, "shareholder" means any person who immediately before the appointed day is registered as the holder of a share in the Imperial Bank.

2. As compensation for the shares in the capital of the Imperial Bank which, by reason of this Act, are transferred to and vested in the Reserve Bank, the Reserve Bank shall pay to

¹ Subs. by Act 33 of 1955, S. 5 for the original section (with retrospective effect).
² }
³ } Rep. by the Repealing and Amending Act, 1960 (58 of 1960), S. 2, Sch. I.
⁴ }
⁵ Ss. 54-57 ins. by Act 33 of 1955, S. 6 (with retrospective effect).

every shareholder, in the manner set out hereinafter, an amount calculated at the rate of one thousand seven hundred and sixty-five rupees and ten annas per share in the case of a fully paid up share and four hundred and thirty-one rupees, twelve annas and four pies per share in the case of a partly paid up share.

3. Notwithstanding the transfer of the shares in the capital of the Imperial Bank to the Reserve Bank, any shareholder who immediately before the appointed day is entitled to payment of dividend on the shares of the Imperial Bank held by him shall be entitled to receive from the State Bank—

- (a) all dividends accruing due on his shares in respect of any half-year which ended before the appointed day and remaining unpaid;
- (b) dividends calculated at a rate to be specified by the Central Government in respect of any period immediately preceding the appointed day for which the Imperial Bank has not declared any dividend.

4. (1) The compensation provided for in this Schedule shall be given in Central Government securities, and the form of such securities and the value thereof, computed with reference to their market value shall be such as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where the amount of such compensation is not an exact multiple of the value of the government security as so notified, the amount in excess of the nearest lower multiple of such value shall be paid by cheque drawn on the Reserve Bank.

(2) Notwithstanding anything contained in sub-paragraph (1), any person who is registered as the holder of a share in the Imperial Bank on the 19th day of December, 1954, and continues to be so until the appointed day shall, if he applies in writing in this behalf to the Reserve Bank before the expiry of three months from the appointed day, be entitled to be paid, by cheque drawn on the Reserve Bank, any compensation payable to him up to the first ten thousand rupees.

5. (1) Any shareholder to whom compensation is payable under this Schedule may apply to the Reserve Bank before the expiry of three months from the appointed day for the transfer to him of shares in the State Bank in lieu of such compensation, and for the purposes of such transfer the value of each share of the State Bank shall be such as may be determined by the Reserve Bank in this behalf.

(2) If on receipt of an application under sub-paragraph (1), the Reserve Bank, in its discretion, decides to transfer any shares to the applicant, it shall issue to the State Bank a warrant in the prescribed form directing it to transfer in favour of the person specified in the warrant such number of shares as may be specified therein out of the shares standing allotted to it under sub-section (1) of section 5, and the State Bank shall be bound to comply with such warrant.

(3) A warrant issued by the Reserve Bank under this paragraph shall not be liable to duty under the Indian Stamp Act, 1899.

2 of 1899

6. (1) The Reserve Bank may, if it decides to transfer, in pursuance of paragraph 5, more than two lakhs, fifty-three thousand and one hundred and twenty-five shares, require the State Bank to issue to it such further shares as may be necessary to secure that it holds not less than fifty-five per cent of the issued capital of the State Bank, and the State Bank shall without prejudice to the provisions contained in sub-section (3) of section 5, comply with such requirement on the Reserve Bank subscribing one hundred rupees for each share.

(2) No share issued to the Reserve Bank at par under this paragraph shall carry dividend at a rate higher than four per cent per annum.