

Bill No. 20-F of 2010

**THE STATE BANK OF INDIA (AMENDMENT)
BILL, 2010**

(AS PASSED BY THE HOUSES OF PARLIAMENT—

LOK SABHA ON 2ND AUGUST, 2010

RAJYA SABHA ON 12TH AUGUST, 2010)

Bill No. 20-F of 2010

THE STATE BANK OF INDIA (AMENDMENT) BILL, 2010

(AS PASSED BY THE HOUSES OF PARLIAMENT)

A

BILL

further to amend the State Bank of India Act, 1955.

BE it enacted by Parliament in the Sixty-first Year of the Republic of India as follows:—

1. (1) This Act may be called the State Bank of India (Amendment) Act, 2010.

Short title and commencement.

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

Provided that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

23 of 1955.

2. In section 2 of the State Bank of India Act, 1955 (hereinafter referred to as the principal Act), clause (i) shall be omitted.

Amendment of section 2.

Substitution of new section for section 4. Authorised capital.

3. For section 4 of the principal Act, the following section shall be substituted, namely:—

"4. 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."

Amendment of section 5.

4. In section 5 of the principal Act,—

(a) for sub-section (2), the following sub-section shall be substituted, namely:—

"(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.";

(b) after sub-section (3), the following sub-sections shall be inserted, namely:—

"(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."

Amendment of section 10.

5. In section 10 of the principal Act, in sub-section (2), for the words "fifty-five per cent. of the issued capital", the words "fifty-one per cent. of the issued capital consisting of equity shares," shall be substituted.

Insertion of new section 10A.

6. After section 10 of the principal Act, the following section shall be inserted, namely:—

Right of registered shareholders to nominate.

"10A. (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 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."

7. In section 11 of the principal Act, after the proviso, the following provisos shall be inserted, namely:— Amendment of section 11.

"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."

8. In section 13 of the principal Act, in sub-section (2), for the words "in computer floppies or diskettes", the words "in computer floppies or diskettes or any other electronic form" shall be substituted. Amendment of section 13.

9. In section 16 of the principal Act,—

(a) in sub-section (1), for the word "Bombay", the words "Mumbai, and shall also be known as Corporate Centre" shall be substituted;

(b) in sub-section (2), for the words "Bombay, Calcutta and Madras", the words "Mumbai, Kolkata and Chennai" shall be substituted.

Amendment of section 16.

10. In section 19 of the principal Act,—

(a) in clause (a), the words "and a vice-chairman" shall be omitted;

(b) for clause (b), the following clause shall be substituted, namely:—

"(b) such number of managing directors not exceeding four, as may be appointed by the Central Government in consultation with the Reserve Bank;"

(c) clause (bb) shall be omitted;

(d) in clause (d), the words "in consultation with the Reserve Bank," shall be omitted;

(e) for clause (f), the following clause shall be substituted, namely :—

"(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."

Amendment of section 19.

11. After section 19 of the principal Act, the following sections shall be inserted, namely:— Insertion of new sections 19A and 19B.

"19A. (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,

Qualifications for election of directors elected by shareholders.

- (ii) banking,
- (iii) co-operation,
- (iv) economics,
- (v) finance,
- (vi) law,
- (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.

Power of Reserve Bank to appoint additional directors.

19B. (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 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."

Amendment of section 20.

12. In section 20 of the principal Act,—

(a) in sub-section (1), the words ", the vice-chairman" shall be omitted;

(b) in sub-section (1A), the word ", vice-chairman", occurring at both the places, shall be omitted;

(c) in sub-section (3A), the words "and thereafter until his successor shall have been duly appointed or nominated", shall be omitted.

13. In section 21 of the principal Act,—

Amendment of section 21.

(a) in sub-section (1) —

(i) for clause (a), the following clause shall be substituted, namely: —

"(a) the chairman, *ex officio* or the managing director nominated by the chairman;"

(ii) in clause (c), the words "in consultation with the Reserve Bank" shall be omitted;

(b) in sub-section (5), for the words "Governor of the Reserve Bank", the words "Central Government" shall be substituted.

14. For section 21B of the principal Act, the following section shall be substituted, namely:—

Substitution of new section for section 21B.

"21B. 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."

Powers of Local Board.

15. In section 21C of the principal Act, for sub-section (2), the following sub-section shall be substituted, namely:—

Amendment of section 21C.

"(2) The chairman or the managing director nominated by him shall be an *ex officio* member of every such Local Committee."

16. In section 22 of the principal Act, in sub-section (1),—

Amendment of section 22.

(a) in clause (d), the word "vice-chairman" shall be omitted;

(b) for clause (h), the following clause shall be substituted, namely:—

"(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:"

17. In section 23 of the principal Act, in clause (b), the word ", vice-chairman" shall be omitted.

Amendment of section 23.

18. In section 24 of the principal Act, —

Amendment of section 24.

(a) in sub-section (1), the word ", vice-chairman" shall be omitted;

(b) in sub-section (3), the words "after consulting the Reserve Bank," shall be omitted.

19. After section 24 of the principal Act, the following section shall be inserted, namely:—

Insertion of new section 24A.

"24A. (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:

Supersession of Central Board in certain cases.

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.

(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."

20. In section 25 of the principal Act,—

(a) in sub-section (1), the word ", vice-chairman" shall be omitted;

(b) in sub-section (2),—

(i) the word ", vice-chairman" shall be omitted;

(ii) in clause (b), the words "in consultation with the Reserve Bank" shall be omitted.

- 21.** Section 28 of the principal Act shall be omitted. Omission of section 28.
- 22.** In section 29 of the principal Act, in sub-section (1),— Amendment of section 29.
- (a) in clause (a), the word "and" shall be omitted;
- (b) in clause (b),—
- (i) the words "and the vice-chairman," shall be omitted;
- (ii) at the end, the word "; and" shall be inserted;
- (c) after clause (b), the following clause shall be inserted, namely:—
- "(c) when authorised by the chairman, shall preside at the meetings of the Central Board in his absence."
- 23.** In section 31 of the principal Act,— Amendment of section 31.
- (a) for sub-sections (1) and (2), the following sub-sections shall be substituted, namely:—
- "(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.";
- (b) in sub-section (4), for the word "vice-chairman", the words "managing director authorised by the chairman" shall be substituted.
- 24.** In section 31A of the principal Act, in sub-section (5), for the words "the vice-chairman, if he is a member of the Local Board", the words "the managing director authorised by the chairman" shall be substituted. Amendment of section 31A.
- 25.** After section 38 of the principal Act, the following section shall be inserted, Insertion of new section 38A.
- '38A. (1) Where, after the commencement of the State Bank of India (Amendment) Act, 2010, a dividend has been declared by the State Bank but which has not been paid to a shareholder or claimed by any shareholder entitled to it, within thirty days from the date of declaration, the State Bank shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid, or unclaimed, to a special account to be named, the "unpaid dividend account" maintained by it. Transfer of unpaid or unclaimed dividend.
- Explanation.*— In this sub-section, the expression "dividend which remains unpaid" means any dividend the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed.
- (2) Where the whole or any part of any dividend, declared by the State Bank before the commencement of the State Bank of India (Amendment) Act, 2010, remains

unpaid at such commencement, the State Bank shall, within a period of six months from such commencement, transfer such unpaid amount to the account referred to in sub-section (1).

(3) Any money transferred to the unpaid dividend account of the State Bank, in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the State Bank to the Investor Education and Protection Fund established under sub-section (1) of section 205C of the Companies Act, 1956 for being utilised for the purpose and in the manner specified in that section.'

1 of 1956.

Amendment of section 39. **26.** In section 39 of the principal Act, for the word "December", the word "March" shall be substituted.

Amendment of section 40. **27.** In section 40 of the principal Act,—
(a) in sub-section (1), for the word "December", the word "March" shall be substituted;

(b) for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) The balance sheet and the profit and loss account shall be signed by the chairman, managing directors and at least three other directors of the Central Board."

Amendment of section 41. **28.** In section 41 of the principal Act,—
(a) in sub-section (1), for the words "the Reserve Bank in consultation with the Central Government", the words "the State Bank with the previous approval of the Reserve Bank" shall be substituted;

(b) in sub-section (5), for the words "the Reserve Bank", the words "the State Bank with the previous approval of the Reserve Bank" shall be substituted.

Substitution of new section for section 42. **29.** For section 42 of the principal Act, the following section shall be substituted, namely:—

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

"42. (1) An annual general meeting shall be held in each financial year at the Corporate Centre or at such other place in Mumbai other than the Corporate Centre or at such other place in India and at such time, as shall from time to time be specified by the Central Board and a general meeting other than an annual general meeting may be convened by the State Bank at any other time and at such place in India as shall from time to time be specified by the Central Board:

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, under sub-section (1) of section 40, is forwarded to the Central Government or to the Reserve Bank, whichever date is earlier.

(2) The shareholders present at an annual general meeting shall be entitled to discuss and adopt the balance sheet and the profit and loss account of the State Bank made up to the previous 31st day of March or the date specified under section 39, as the case may be, the report of the Central Board on the working and activities of the State Bank for the period covered by the accounts and the auditors' report on the balance sheet and accounts."

Amendment of section 43. **30.** In section 43 of the principal Act, for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) The officers, advisers and employees of the State Bank shall individually or jointly or with other officers, advisers and employees in a Local Committee exercise such powers and perform such duties as may by general or special order, be entrusted or delegated to them by the Central Board or its executive committee."

31. In section 49 of the principal Act, in sub-section (2), after clause (c), the following clauses shall be inserted, namely:— Amendment of section 49.

"(d) the time and place of meeting of the Committee and the rules of procedure to be observed by it under sub-section (6) of section 24A;

(e) the salary and allowances of the Administrator and the members of the committee under sub-section (7) of section 24A."

32. In section 50 of the principal Act, in sub-section (2),— Amendment of section 50.

(i) after clause (a), the following clauses shall be inserted, namely:—

"(aa) the procedure for increasing issued capital by the issue of equity or preference shares under sub-section (2) and the manner of accepting money for issued capital, forfeiture and re-issue of shares under sub-section (5), of section 5;

(ab) the manner of nominating an individual by one individual under sub-section (1), the manner of nominating an individual by the joint holders under sub-section (2), the manner of varying or cancellation of nomination under sub-section (3), and the manner of nominating a minor under sub-section (4), of section 10A;"

(ii) in clause (b), for the words "floppies or diskettes", the words "floppies or diskettes or any other electronic form" shall be substituted.

33. The enactment specified in the Schedule is hereby amended to the extent and in the manner as given below:— Amendment of enactment.

THE SCHEDULE

(See section 33)

Short title

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

(38 of 1959)

In section 26, in sub-section (2A), the words "and thereafter until his successor shall have been duly appointed" shall be omitted.

The above Bill has been passed by the Houses of Parliament.

Dated the

Chairman.

I assent to this Bill.

Dated the

President.

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BILL

further to amend the State Bank of India Act, 1955.

(As passed by the Houses of Parliament)