

Bill No. 112 of 2017

THE STATE BANKS (REPEAL AND AMENDMENT) BILL, 2017

A

BILL

to repeal the State Bank of India (Subsidiary Banks) Act, 1959, the State Bank of Hyderabad Act, 1956 and further to amend the State Bank of India Act, 1955.

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

CHAPTER I

PRELIMINARY

- 5 **1.** (1) This Act may be called the State Banks (Repeal and Amendment) Act, 2017.
(2) It shall be deemed to have come into force on the 1st day of April, 2017.

Short title and commencement.

CHAPTER II

REPEAL OF THE STATE BANK OF INDIA (SUBSIDIARY BANKS) ACT, 1959 AND THE STATE BANK OF HYDERABAD ACT, 1956

Repeal and savings.	2. (1) The State Bank of India (Subsidiary Banks) Act, 1959 and the State Bank of Hyderabad Act, 1956 are hereby repealed.	38 of 1959. 5 79 of 1956.
	(2) Notwithstanding such repeal, anything done or any action taken, including any agreement entered into under the provisions of the State Bank of India (Subsidiary Banks) Act, 1959 by the State Bank of Hyderabad, the State Bank of Bikaner and Jaipur, the State Bank of Mysore, the State Bank of Patiala, and the State Bank of Travancore or under the provisions of the State Bank of Hyderabad Act, 1956 by the State Bank of Hyderabad shall continue to be in force and have effect as if this Act has not been enacted.	38 of 1959. 10 79 of 1956.
	(3) The mention of particulars in sub-section (2) shall not be held to prejudice or affect the general application of section 6 of the General Clauses Act, 1897, with regard to the effect of repeal.	10 of 1897.

CHAPTER III

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AMENDMENTS TO THE STATE BANK OF INDIA ACT, 1955

Amendment of section 2.	3. In section 2 of the State Bank of India Act, 1955 (hereinafter in this Chapter referred to as the principal Act), clause (h) shall be omitted.	23 of 1955.
Amendment of section 18.	4. In section 18 of the principal Act, in sub-section (1), the words “including those relating to a subsidiary bank” shall be omitted.	20
Amendment of section 31.	5. In section 31 of the principal Act, in sub-section (3), in the proviso, in clause (ii), the words “or a director of a subsidiary bank” shall be omitted.	
Amendment of section 31A.	6. In section 31A of the principal Act, in sub-section (3), in the proviso, in clause (ii), the words “or a director of a subsidiary bank” shall be omitted.	
Amendment of section 32.	7. In section 32 of the principal Act,— (a) in sub-section (1), the words “or where there is a branch of a subsidiary bank” shall be omitted; (b) in sub-section (4), the words “or through a subsidiary bank” shall be omitted.	25
Amendment of section 36.	8. In section 36 of the principal Act, in sub-section (2), clause (aa) shall be omitted.	30

STATEMENT OF OBJECTS AND REASONS

The State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore were constituted under the State Bank of India (Subsidiary Banks) Act, 1959. The State Bank of Hyderabad was originally constituted as Hyderabad State Bank under the Hyderabad State Bank Act, 1350F and renamed as the State Bank of Hyderabad under sub-section (1) of section 3 of the State Bank of Hyderabad Act, 1956. The State Bank of Hyderabad and the State Bank of Patiala were wholly owned by the State Bank of India (SBI). SBI had 90 per cent. shareholding in the State Bank of Mysore, 75.07 per cent. shareholding in the State Bank of Bikaner and Jaipur and 79.09 per cent. shareholding in the State Bank of Travancore.

2. For the purposes of rationalisation of resources, reduction of costs, better profitability, lower cost of funds leading to better rate of interest for public at large, improved productivity and customer service, SBI, with the sanction of the Central Government and in consultation with the Reserve Bank of India, entered into negotiations with the State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Patiala, State Bank of Travancore and the State Bank of Hyderabad (hereinafter referred to as subsidiary banks), for acquiring the business, including assets and liabilities thereof.

3. The schemes relating to such acquisitions were agreed upon by the Central Board of SBI and the respective boards of subsidiary banks and approved by the Reserve Bank of India. In exercise of the powers conferred by sub-section (2) of section 35 of the State Bank of India Act, 1955, the Central Government accorded its sanction thereto. Accordingly, the Central Government issued the following orders, sanctioning the scheme of acquisition, namely, (a) the Acquisition of State Bank of Bikaner and Jaipur Order, 2017, (b) the Acquisition of State Bank of Mysore Order, 2017, (c) the Acquisition of State Bank of Patiala Order, 2017, (d) the Acquisition of State Bank of Travancore Order, 2017 and (e) the Acquisition of State Bank of Hyderabad Order, 2017. These orders were published in the Gazette of India *vide* notification numbers G.S.R. 156(E) to 160(E), dated the 22nd February, 2017. As per the aforesaid orders, the business of the subsidiary banks is to be carried out by the State Bank of India in accordance with the State Bank of India Act, 1955 with effect from the 1st day of April, 2017.

4. After the acquisition of the subsidiary banks by SBI, the subsidiary banks have ceased to exist and, therefore, it is necessary to repeal the State Bank of India (Subsidiary Banks) Act, 1959 and the State Bank of Hyderabad Act, 1956.

5. There are certain provisions in the State Bank of India Act, 1955, which apply to the subsidiary banks. After the acquisition of all the subsidiary banks by the SBI, it is not necessary to retain such provisions in the State Bank of India Act, 1955. Therefore, certain amendments are necessary in the said Act in so far as they relate to the subsidiary banks. The amendments are consequential in nature.

6. The Bill seeks to achieve the above objectives.

NEW DELHI;
The 11th July, 2017.

ARUN JAITLEY

ANNEXURE

EXTRACTS FROM THE STATE BANK OF INDIA ACT, 1955

(23 OF 1955)

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

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

38 of 1959.

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Central Board to be guided by directions of Central Government. **18.** (1) In the discharge of its functions 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.

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Meetings of the Central Board. **31.** (1)* * * * *

(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:

Provided that nothing contained in this sub-section shall apply to such director by reason only of his being—

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(ii) a director *ex officio* of the State Bank or a director of a subsidiary bank; or

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Meetings of Local Board. **31A.** (1)* * * * *

(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—

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

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CHAPTER VI

BUSINESS OF THE STATE 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 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— State Bank to act as agent of the Reserve Bank.

(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.

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

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CHAPTER VII

FUNDS, ACCOUNTS AND AUDIT

36. (1) * * * * * Integration and development fund.

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

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(aa) subsidies granted by the State Bank to a subsidiary bank with the approval of the Central Government; and

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to repeal the State Bank of India (Subsidiary Banks) Act, 1959, the State Bank of
Hyderabad Act, 1956 and further to amend the State Bank of India Act, 1955.

(Shri Arun Jaitley, Minister of Finance)