

**Bill No. 113 of 2009**

THE STATE BANK OF SAURASHTRA (REPEAL) AND THE STATE  
BANK OF INDIA (SUBSIDIARY BANKS) AMENDMENT  
BILL, 2009

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BILL

*to repeal the State Bank of Saurashtra Act, 1950 and further to amend the State Bank of  
India (Subsidiary Banks) Act, 1959.*

BE it enacted by Parliament in the Sixtieth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

5      **1.** (1) This Act may be called the State Bank of Saurashtra (Repeal) and the State Bank  
of India (Subsidiary Banks) Amendment Act, 2009.

Short title and  
commence-  
ment.

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

CHAPTER II

REPEAL OF THE STATE BANK OF SAURASHTRA ACT, 1950

10      **2.** (1) The State Bank of Saurashtra Act, 1950 is hereby repealed.

Repeal and  
savings.

(2) Notwithstanding such repeal, anything done or any action taken, including any  
agreement entered into under the provisions of the State Bank of Saurashtra Act, 1950, by  
the State Bank of Saurashtra shall continue to be in force and have effect as if this Act has  
not been enacted.

15      **(3)** The mention of particulars in sub-section (2) shall not be held to prejudice or affect  
10 of 1897. the general application of section 6 of the General Clauses Act, 1897, with regard to the effect  
of repeal.



## STATEMENT OF OBJECTS AND REASONS

The State Bank of Saurashtra was constituted under the State Bank of Saurashtra Act, 1950 (10 of 1950) as amended by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959). All shares of the State Bank of Saurashtra vest in the State Bank of India. In view of the recent developments in international banking scenario and for better functioning, the State Bank of India has, with the sanction of the Central Government and in consultation with the Reserve Bank of India, entered into negotiations for acquiring the business, including the assets and liabilities of the State Bank of Saurashtra. The terms and conditions relating to such acquisitions were agreed upon by the Central Board of the State Bank of India and the Board of State Bank of Saurashtra in the form of a Scheme.

2. Thereafter, the Reserve Bank of India has approved the acquisition of the business of the State Bank of Saurashtra and in exercise of the powers conferred by sub-section (2) of section 35 of the State Bank of India Act, 1955 (23 of 1955), the Central Government has accorded its sanction thereto. Accordingly, the Acquisition of the State Bank of Saurashtra Order, 2008 was published in the Gazette of India, *vide*, Notification No. G.S.R. 589(E) dated the 13th August, 2008. As per the said order, the business of the State Bank of Saurashtra has to be carried out by the State Bank of India in accordance with the State Bank of India Act, 1955. After the acquisition of the State Bank of Saurashtra by the State Bank of India, the State Bank of Saurashtra ceased to exist and, therefore, it is necessary to repeal the State Bank of Saurashtra Act, 1950.

3. There are certain provisions in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), which apply to the State Bank of Saurashtra. After the acquisition of the State Bank of Saurashtra by the State Bank of India, it is not necessary to retain such provisions in the State Bank of India (Subsidiary Banks) Act, 1959. Therefore, the amendment is necessary in the provisions of the said Act, in so far as they relate to the State Bank of Saurashtra. The amendments are consequential in nature, to make provisions empowering the State Bank of India to amend regulations as are applicable to the former employees of the State Bank of Saurashtra, their dependents and in respect of the employees of the State Bank of Saurashtra who opt to be governed by such regulations in accordance with the Scheme of acquisition.

4. The Bill seeks to achieve the above objectives.

NEW DELHI;  
*The 20th November, 2009.*

PRANAB MUKHERJEE.

ANNEXURE

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

(38 OF 1959)

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Definitions.

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

(a) “appointed day” means,—

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(iv) in relation to the Saurashtra Bank, the date on which the amendments to the Saurashtra State Banks (Amalgamation) Ordinance, 1950, take effect under Part V of the Third Schedule; 10 of 1950.

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(i) “Saurashtra Bank” means the State Bank of Saurashtra constituted under the Saurashtra State Banks (Amalgamation) Ordinance, 1950; 10 of 1950.

\* \* \* \* \*

(k) “subsidiary bank” means any new bank and includes the Hyderabad Bank and the Saurashtra Bank;

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Compensation payable by the State Bank in respect of the Bank of Patiala, the Saurashtra Bank and the Hyderabad Bank.

14. (1) The State Government of Punjab in respect of the Bank of Patiala, the State Government of Gujarat in respect of the Saurashtra Bank and the Reserve Bank in respect of the Hyderabad Bank, shall be given, by reason of the provisions of this Act or of the amendments contained in Part V or Part VII of the Third Schedule, such compensation by the State Bank as is determined in accordance with the principles contained in the First Schedule.

(2) The amount of compensation to be given in accordance with the principles contained in the First Schedule shall be determined in the first instance by the State Bank, and shall be offered by it to the State Government of Punjab, the State Government of Gujarat, or the Reserve Bank, as the case may be, in full satisfaction of the compensation payable under sub-section (1):

Provided that in determining the amount of compensation to be offered to the State Government of Punjab or the State Government of Gujarat, the State Bank shall consult the Reserve Bank.

(3) If the amount of compensation offered by the State Bank in terms of sub-section (2) is not acceptable to the State Government of Punjab, the State Government of Gujarat or the Reserve Bank, as the case may be, the State Government concerned or the Reserve Bank, may before such date as may be notified by the Central Government in the Official Gazette, request the Central Government to have the matter referred to the Tribunal for decision, and where any such request is received, the Central Government shall refer the matter accordingly.

(4) If, before the date notified under sub-section (3), the State Government of Punjab, the State Government of Gujarat or the Reserve Bank, as the case may be, has not made any such request, the amount of compensation offered by the State Bank, and where a reference has been made to the Tribunal, the amount determined by it, shall be the compensation payable under sub-section (1) and shall be final and binding on all parties concerned.

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CHAPTER V

MANAGEMENT OF SUBSIDIARY BANKS

Certain officers to vacate office.

23. Every person holding office as chairman, director, member of the Board of Management (including a member of a local or advisory committee), managing director, general manager, manager (other than manager of a branch), deputy managing director, deputy general manager, assistant general manager or advisor, as the case may be, in an existing bank (other than the Bank of Patiala), the Hyderabad Bank and the Saurashtra Bank immediately before the appointed day, shall be deemed to have vacated that office 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, such person shall not be entitled to any compensation 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 as the corresponding new bank, the Hyderabad Bank or the Saurashtra Bank, as the case may be, may with the approval of the State Bank, grant to him, having regard to what he would have received if this Act had not been passed and if his employment had ceased on the appointed day in the ordinary course:

Provided that nothing in this section shall be deemed to prevent any person who has so vacated his office in any of the said banks, from being re-nominated or re-appointed to any office in a subsidiary bank in accordance with the provisions of this Act.

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42. If, on the appointed day, any appointment of an auditor made by, or in respect of, an existing bank, the Hyderabad Bank or the Saurashtra Bank, as the case may be, is subsisting, the State Bank may, on or after such day, either confirm the appointment in accordance with the provisions of this Act, subject to such modifications of the terms and conditions of the appointment, as it may deem necessary, or terminate the appointment; and may, if it so terminates the appointment, fix such remuneration as appears to it to be reasonable having regard to the work already done, functions discharged, or duties performed by the auditor concerned.

Temporary provision regarding existing auditors.

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46. (1) The State Bank may, in relation to any existing bank or the Saurashtra Bank, at any time before the appointed day,—

Observers for existing banks and the Saurashtra Bank.

(a) depute one or more persons to watch the proceedings at any meeting of the Board of Directors, any committee or other body of the bank; require the bank to give an opportunity to the person or persons so deputed to be heard at such meetings and also require such person or persons to send a report of such proceedings to the State Bank;

(b) require the Board of Directors, any committee or other body of the bank to give in writing to any person specified by the State Bank in this behalf, at his usual address, all notices of, and other communications relating to, any meeting of the Board, committee or other body, as the case may be;

(c) appoint one or more persons to observe the manner in which the affairs of the bank or of its officers or branches are being conducted and make a report thereon; and

(d) require the bank to furnish the State Bank, within such time as may be specified by the State Bank, with any statement or information relating to the business or affairs of the bank including copies of the proceedings of any meeting of the Board of Directors, any committee or other body, of the bank.

(2) If a person deputed by the State Bank to watch the proceedings of any meeting of the Board of Directors, any committee or other body, as the case may be, gives notice in writing to the bank that such person considers that any action, step or proceeding proposed to be taken or carried out by the bank will be detrimental to the State Bank or to the bank itself, such action, step or proceeding shall not be taken or carried out by the bank unless and until the State Bank approves in writing of such action, step or proceeding.

*Explanation.*—For the purposes of this section, "Board of Directors" in relation to the Saurashtra Bank, means its Board of Management.

47. (1) Without prejudice to the other provisions contained in this Act, the State Bank may, at any time, cause an inspection to be made by one or more of its officers of any existing bank, a new bank, the Hyderabad Bank or the Saurashtra Bank.

Inspection.

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Special provision regarding existing officers and employees.

49. (1) Notwithstanding anything contained in any of the other provisions of this Act, or in any other law or in any contract of service or other document, no appointment made or promotion, increment in salary, pension or allowance or any other benefit granted to any person by an existing bank or the Saurashtra Bank after the 10th day of February, 1958, 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 said banks or of any provident, pension or other fund in force before the 10th day of February, 1958, shall have effect or be payable or claimable from the subsidiary bank concerned, or from any provident, pension or other fund, or from any authority administering any such fund, unless the State Bank has, with the approval of the Reserve Bank, by a general or special order, confirmed the appointment, promotion or increment or has directed the grant of the pension, allowance or other benefit, as the case may be.

(2) Where any officer or other employee of an existing bank or of the Saurashtra Bank has received any amount by reason of such appointment, promotion or increment or any such pension, allowance or other benefit as is referred to in sub-section (1), which has not been confirmed or sanctioned by the State Bank under that sub-section, such officer or other employee shall be bound to refund such amount to the subsidiary bank concerned, and that bank shall be entitled to take all such steps as may be necessary for recovering such amount.

(3) Where any managing director, general manager or manager, deputy managing director or deputy general manager or other employee of an existing bank or the Saurashtra Bank has, after the 10th day of February, 1958, and before the appointed day, been paid any sum by way of compensation or gratuity, the subsidiary bank concerned shall be entitled to claim a refund of any sum so paid if the payment is not confirmed by the State Bank by a general or special order.

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Continuance of special provisions respecting recovery of loans and advances made by the Bank of Patiala and the State Bank of Saurashtra.

56. The State Bank of Patiala and the Saurashtra Bank shall be entitled to recover in the same manner as an arrear of land revenue any moneys due in respect of loans or advances made before the appointed day by the Bank of Patiala or the Saurashtra Bank, as the case may be, and the provisions of any law, relating to such recovery as were applicable to that bank before the appointed day shall continue to apply to the State Bank of Patiala or the Saurashtra Bank, as the case may be, in respect of such recovery after the appointed day.

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THE FIRST SCHEDULE

(See sections 13 and 14)

PRINCIPLES OF COMPENSATION

1. A. The compensation to be given by the State Bank shall, in the case of the Hyderabad Bank, the Bank of Patiala or the Saurashtra Bank, be an amount equal to the value of the assets of that bank as on the day immediately before the appointed day, computed in accordance with the provisions of Part I of this paragraph less the total amount of liabilities thereof computed in accordance with the provisions of Part II of this paragraph.

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to repeal the State Bank of Saurashtra Act, 1950 and further to amend the State Bank of India (Subsidiary Banks) Act, 1959.

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*(Shri Pranab Mukherjee, Minister of Finance)*