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THE STATE BANK OF HYDERABAD ACT, 1956

ACT NO. 79 OF 1956

[22nd December, 1956.]

An Act to transfer the share capital of the Hyderabad State Bank to the Reserve Bank of India and to provide for its proper management and other matters connected therewith or incidental thereto.

WHEREAS in view of the reorganisation of States, it is necessary to provide for the devolution of functions of the State Government of Hyderabad in relation to the Hyderabad State Bank on one single authority;

AND WHEREAS in order to secure the more efficient performance of banking and treasury functions by the Hyderabad State Bank as agent to the Reserve Bank of India and to enable the Reserve Bank of India to assist the Hyderabad State Bank, by the grant of subsidies or otherwise, to extend banking facilities to the public on a larger scale, it is expedient and necessary to provide for the transfer of the share capital of the Hyderabad State Bank to the Reserve Bank of India and for its proper management and for other matters connected therewith or incidental thereto:

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

CHAPTER I

PRELIMINARY

1. Short Title and Commencement.—(1) This Act may be called the State Bank of Hyderabad Act, 1956.

(2) It shall be deemed to have come into force on the 22nd day of October, 1956.

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

(a) “appointed day” means the 22nd day of October, 1956;

(b) “Hyderabad Bank” means the Hyderabad State Bank renamed under sub-section (1) of section 3, as the State Bank of Hyderabad;

(c) “Hyderabad State Bank” means the Hyderabad State Bank constituted and incorporated under the Hyderabad State Bank Act, 1350F.;

(d) “prescribed” means prescribed by regulations made under this Act;

(e) “Reserve Bank” means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934).

¹[(f) “State Bank” means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955).]

CHAPTER II

RE-NAMING OF THE HYDERABAD STATE BANK AND TRANSFER OF ITS SHARE CAPITAL TO THE RESERVE BANK

3. Change of Name of Hyderabad State Bank.—(1) On the appointed day, the body corporate constituted by the Hyderabad State Bank Act, 1350F, and known as the Hyderabad State Bank shall be renamed as the State Bank of Hyderabad ^{2****}.

1. Ins. by Act 38 of 1959, s. 64 and the Third Schedule (w.e.f. 1-10-1959).

2. The words “and shall, as from that day, carry on the business of banking and other business in accordance with the provisions of this Act and shall have power to acquire and hold property, whether movable or immovable for the purposes of this Act and to dispose of the same” omitted by s. 64 and the Third Schedule (w.e.f. 1-10-1959).

¹[(2) The said body corporate shall consist of the State Bank and other shareholders, if any, for the time being, of the Hyderabad Bank.

(2A) The Hyderabad Bank shall carry on the business of banking and other business in accordance with the provisions of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), and shall have power to acquire and hold properly, whether movable or immovable, for the purposes of its business and to dispose of the same].

(3) The change of name of the Hyderabad State Bank by sub-section (1) shall not affect any rights or obligations of that Bank, or render defective any legal proceedings by or against it; and any legal proceedings which might have been continued or commenced by or against the Hyderabad State Bank by its former name may be continued by or against it by its new name.

4. Head Office And Branches of Hyderabad Bank.—(1) Unless otherwise directed by the Central Government by notification in the Official Gazette, the Head Office of the Hyderabad Bank shall be at Hyderabad.

(2) The Hyderabad Bank shall continue to maintain every branch and agency of the Hyderabad State Bank in existence immediately before the appointed day ²[and shall not discontinue any branch or establish any new branch except in consultation with the State Bank and with the approval of the Reserve Bank.]

5. Transfer of Share Capital of Hyderabad State Bank to Reserve Bank.—On the appointed day, all shares in the capital of the Hyderabad State Bank shall be transferred to, and shall vest in, the Reserve Bank free of all trusts, liabilities and encumbrances.

6. Compensation to shareholders of Hyderabad State Bank.—(1) The Reserve Bank shall pay to the State Government of Hyderabad and every other person who immediately before the appointed day, is registered as a holder of shares in the Hyderabad State Bank, as compensation for the transfer of such shares to the Reserve Bank under section 5, an amount calculated at the rate of ninety-four rupees four annas and six pies in Indian currency for each share of the face value of one hundred Osmania Sicca rupees.

(2) Notwithstanding the transfer of the shares in the capital of the Hyderabad State Bank to the Reserve Bank, any shareholder who, immediately before the appointed day, was entitled to payment of dividend on the shares of the Hyderabad State Bank held by him shall be entitled to receive from the Hyderabad Bank all dividends declared by the Hyderabad State Bank in respect of his shares for any year which ended before the appointed day and remaining unpaid.

(3) Notwithstanding anything contained in the Hyderabad State Bank Act, 1350F., no such shareholder shall be entitled as of right to any dividend on the shares of the Hyderabad State Bank held by him in respect of any period before the appointed day for which the Bank had not declared a dividend:

Provided that the Central Government may, in respect of any such period, authorise the payment of dividend at such rate as it may specify if it is satisfied that there is sufficient balance of profit available after such provisions and contributions for the purposes referred to in section 28 as the Reserve Bank considers necessary have been made.

(4) Nothing contained in sub-section (1) shall affect the rights *inter se* between the holder of any share in the Hyderabad State Bank and any other person who may have an interest in such share and such other person shall be entitled to enforce his interest against the compensation awarded to the holder of such share but not against the Reserve Bank.

7. Certain officers of the Hyderabad State Bank to vacate office.—(1) Every person holding office as director (including the President and the managing director) or as deputy managing director, in the Hyderabad State 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

1. Subs. by Act 38 of 1959, s. 64 and the Third Schedule, for sub-section (2) (w.e.f. 1-10-1959).

2. Subs. by s. 64 and the Third Schedule, *ibid.*, for “and shall not discontinue any such branch or agency or establish any new branch or agency except with the previous approval of the Reserve Bank” (w.e.f. 1-10-1959).

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 Hyderabad Bank may, with the previous approval of the Reserve 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.

(2) Nothing in sub-section (1) shall be deemed to prevent the Hyderabad Bank from reappointing or re-employing with the previous permission in writing of the Reserve Bank, the managing director or the deputy managing director of the Hyderabad State Bank on such terms and conditions as are agreed upon between him and the Hyderabad Bank and are approved by the Reserve Bank.

8. Special Provisions Regarding Existing officers and Employees.—(1) Notwithstanding anything contained in any law or 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 the Hyderabad State Bank after the 19th day of December, 1954, and before the appointed day which would not ordinarily have been made or granted or which would not ordinarily have been admissible under the rules or authorisations of the Hyderabad State Bank, or of any provident, pension, or other fund in force before the 19th day of December, 1954, shall have effect or be payable or claimable from the Hyderabad Bank, or from any provident, pension or other fund or from any authority administering any such fund, unless the Reserve Bank has, by 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 the Hyderabad State Bank has, whether before or after the appointed day, received any amount by reason of any such appointment, promotion or increment or the grant of any such pension, allowance or other benefit, as is referred to in sub-section (1), which has not been confirmed or sanctioned by the Reserve Bank in pursuance of the powers conferred on it by that sub-section, such officer or other employee shall be bound to refund such amount to the Hyderabad Bank and that bank shall be entitled to take all such steps as may be necessary for recovering such amount.

(3) Where any managing director, deputy managing director or other employee of the Hyderabad State Bank has, after the 19th day of December 1954, and before the appointed day, been paid any sum by way of compensation or gratuity, the Hyderabad Bank shall be entitled to claim refund of any sum so paid if the payment is not confirmed by the Reserve Bank by general or special order.

(4) Notwithstanding anything contained in any law for the time being in force, the renaming of the Hyderabad State Bank or the transfer of its share capital to the Reserve Bank shall not entitle any officer or other employees of that bank to any compensation to which he may be entitled under any such law, and no such claim shall be entertained by any Court, tribunal or other authority.

CHAPTER III

CAPITAL OF THE HYDERABAD BANK

1[2]9. Authorised Capital.—(1) Subject to the provisions of this Act, the authorised capital of the Hyderabad Bank shall be rupees five hundred crores.

(2) The authorised capital of the Hyderabad Bank shall be divided into shares of one hundred rupees each or of such denomination as the Hyderabad Bank may, with the approval of the State Bank, decide.

(3) The Hyderabad Bank may issue the certificates of shares of equivalent values of such denomination as the Hyderabad Bank may decide with the approval of the State Bank, in accordance with the procedure as may be specified by regulations made under section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) and every shareholder of the Hyderabad Bank shall be entitled to have the certificate of shares of equivalent value of such denomination.

1. Subs. by Act 38 of 1959, s. 64 and the Third Schedule, for sections 9 to 10 (w.e.f. 1-10-1959).

2. Subs. by Act 30 of 2007, s. 4, for section 9 (w.e.f. 9-7-2007).

(4) Notwithstanding anything contained in sub-section (1), the State Bank may, ¹[in consultation with the Reserve Bank and with the approval of the Central Government] authorise the Hyderabad Bank to increase or reduce its authorised capital].

10. Issued Capital.—(1) The issued capital of the Hyderabad Bank shall, on the day on which the amendments to this Act made by the State Bank of India (Subsidiary Banks) Act, 1959, take effect, be of such amount as the State Bank, with the approval of the Reserve Bank, may fix in this behalf, so however that the amount shall be so fixed as to consist only of fully paid-up shares of one hundred rupees each.

²[(1A) Notwithstanding anything contained in sub-section (1), the issued capital of the Hyderabad Bank, shall consist of such amount as the State Bank may, ³[in consultation with the Reserve Bank and with the approval of the Central Government], fix, and shall be divided into fully paid-up shares of such denomination in accordance with sub-section (2) of section 9.]

(2) All shares in the issued capital of the Hyderabad Bank shall, on that day, vest in the State Bank.

⁴[(3) The Hyderabad Bank may, from time to time, ³[with the approval of the State Bank and the Central Government in consultation with the Reserve Bank], increase, whether by ⁵[public issue or rights issue] or by preferential allotment or private placement in accordance with the procedure as may be specified by regulations made under section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), its issued capital by issue of equity or preference shares.

(3A) The issued capital of the Hyderabad 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.

(3B) The Hyderabad Bank may, ³[with the approval of the State Bank and the Central Government in consultation with the Reserve Bank], increase from time to time by way of issuing bonus shares to existing equity shareholders, its issued capital in such manner as the State Bank, ⁶[in consultation with the Reserve Bank and with the approval of the Central Government], direct.

(3C) No increase or reduction in the issued capital of the Hyderabad Bank shall be made in such a manner that the State Bank holds at any time less than fifty-one per cent. of the issued capital consisting of equity shares of the Hyderabad Bank.

(3D) The Hyderabad Bank may accept the money in respect of shares issued towards increase in issued capital in instalments, make calls and forfeit unpaid shares and re-issue them, in the manner as may be specified by regulations made under section 63 of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959).]

(4) The State Bank shall, as soon as may be after the determination, if any, of the amount of compensation, by the Tribunal under the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), consider whether any increase or reduction of the issued capital of the Hyderabad Bank as fixed under sub-section (1) by way of adjustment by transfer from, or to, the reserves of the Hyderabad Bank or in any other manner, is necessary, expedient or appropriate and may, thereafter, with the approval of the Reserve Bank, direct the Hyderabad Bank to increase or reduce its issued capital.]

1. Subs. by Act 17 of 2011, s. 2, for “with the approval of the Reserve Bank” (w.e.f. 1-12-2011).

2. Ins. by Act 30 of 2007, s. 5 (w.e.f. 9-7-2007).

3. Subs. by Act 17 of 2011, s. 3, for “with the approval of the Reserve Bank” (w.e.f. 1-12-2011).

4. Subs. by Act 30 of 2007, s. 5, for sub-section (3) (w.e.f. 9-7-2007).

5. Subs. by Act 17 of 2011, s. 3, for “public issue” (w.e.f. 1-12-2011).

6. Subs. by s. 3, *ibid.*, for “with the approval of the Reserve bank” (w.e.f. 1-12-2011).

CHAPTER IV

MANAGEMENT OF THE HYDERABAD BANK

11. [*Management.*] Omitted by the State Bank of India (Subsidiary Bank) Act, 1959 (38 of 1959), s. 64 and the Third Schedule (w.e.f. 1-10-1959).
12. [*Composition of Board of Director.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
13. [*Term of office of directors.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
14. [*Disqualification of directorship.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
15. [*Vacation of office directors.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
16. [*Chairman of the Board of Director.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
17. [*Managing director.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
18. [*Remunerstion of directors.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
19. [*Removal from office of director.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
20. [*Appointment of another person for discharging the duties of the managing director during his absence.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
21. [*Casual vacancies among directors.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
22. [*Meetings of the Board of Directors.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
23. [*Executive Committee of Board of Director.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
24. [*Hyderabad Bank to act as agent of the Reserve Bank.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
25. [*Other business which the Hyderabad Bank may transact.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).
26. [*Acquisition of business of other banks.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

CHAPTER VI

RESERVE FUND ACCOUNTS AND AUDIT

¹[**27. Reserve Fund.**—(1) The reserve fund of the Hyderabad Bank shall, subject to the provisions of sub-section (4) of section 10, and sub-section (2) of this section, consist of—

(a) on the day on which the amendments to this Act made by the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), take effect, such sum as the State Bank, with the approval of the Reserve Bank, may determine, and

(b) after that day, the sum aforesaid together with such further sums as may be transferred to the reserve fund by the Hyderabad Bank out of its annual net profits before declaring a dividend.

(2) The State Bank shall, as soon as may be after the determination, if any, of the amount of compensation by the Tribunal, under the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), consider whether any increase or reduction of the reserve fund of the Hyderabad Bank is necessary by

1. Subs. by Act 38 of 1959, s. 64 and the Third Schedule, for section 27 (w.e.f. 1-10-1959).

way of adjustment by transfer from or to any account or towards provision for bad and doubtful debts, depreciation in assets, or contingencies or for any other purpose and may thereafter, with the approval of the Reserve Bank, direct the Hyderabad Bank to so increase or reduce, its reserve fund.]

28. [*Disposal of profits.*] Omitted by the State Bank of India (Subsidiary Bank) Act, 1959 (38 of 1959), s. 64 and the Third Schedule (w.e.f. 1-10-1959).

29. [*Closing of annual accounts.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

30. [*Audit.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

31. [*Returns to be furnished by the Hyderabad Bank.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

[CHAPTER VII.—MISCELLANEOUS] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

32. [*Right of Reserve Bank to seek relief in respect of certain transanctions.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

33. [*Staff of the Hyderabad Bank.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

34. [*Cost of development programme.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

35. [*Obligation as to fidelity and secrecy.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

36. [*Bar to liquidation of the Hyderabad Bank.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

37. [*Indemnity of directors.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

38. [*Defects in the appointment or constitution not to invalidate acts or proceedings.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

39. [*Exercise of powers and functions on behalf of the Reserve Bank.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

40. [*Protection of action taken under this Act.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

41. Power of Central Government to Make Rules.—(1) The Central Government may, in consultation with the Reserve Bank, by notification in the Official Gazette, make rules to give effect to the provisions of this Act.

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

(a) the manner of, and the procedure for payment of, compensation under this Act, including the requirements subject to which the payment shall be made;

(b) the determination of persons to whom the said compensation shall be payable in all cases including cases where shares have been held by more than one person, or where they have been transferred before the appointed day, but the transfer has not been registered or where the shareholder is dead;

(c) the circumstances under which claims for payment of the said compensation from persons claiming through or under a shareholder may be entertained;

(d) the requirements to be complied with before receipt of the said compensation by a shareholder, whose share certificate has been lost, destroyed, mutilated or stolen;

(e) the requirements, subject to which information regarding the payment of the said compensation may be granted or refused and the conditions subject to which such information may be given.

¹[(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if , before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.]

42. [*Power of the Reserve Bank to make Regulations.*] Omitted by the *State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), s. 64 and the Third Schedule (w.e.f. 1-10-1959).*

43. [*Amendment of certain enactments.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

44. [*References to Hyderabad State Bank in other laws.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

45. [*Saving.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

46. [*Repeal and saving.*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

[*THE FIRST SCHEDULE*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

[*THE SECOND SCHEDULE*] Omitted by s. 64 and the Third Schedule, *ibid.* (w.e.f. 1-10-1959).

1. Subs. by Act 4 of 2005, s. 2 and the Schedule, for sub-section (3) (w.e.f. 11-1-2005).