

THE BANKING COMPANIES (ACQUISITION AND
TRANSFER OF UNDERTAKINGS) ACT, 1969

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**THE BANKING COMPANIES (ACQUISITION AND
TRANSFER OF UNDERTAKINGS) ACT, 1969**

No. 22 OF 1969

[9th August, 1969.]

An Act to provide for the acquisition and transfer of the undertakings of certain banking companies in order to serve better the needs of development of the economy in conformity with national policy and objectives and for matters connected therewith or incidental thereto.

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

CHAPTER I

PRELIMINARY

Short title
and
commence-
ment.

1. (1) This Act may be called the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969.

(2) It shall be deemed to have come into force on the 19th day of July, 1969.

Defini-
tions.

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

(a) "banking company" does not include a foreign company within the meaning of section 591 of the Companies Act, 1956; 1 of 1956.

(b) "corresponding new bank", in relation to an existing bank, means the body corporate specified against such bank in column 2 of the First Schedule;

(c) "Custodian" means the person who becomes, or is appointed, a Custodian under section 10;

(d) "existing bank" means a banking company specified in column 1 of the First Schedule, being a company the deposits of which, as shown in the return as on the last Friday of June, 1969, furnished to the Reserve Bank under section 27 of the Banking Regulation Act, 1949, were not less than rupees fifty crores; 10 of 1949.

(e) "prescribed" means prescribed by rules made under this Act;

(f) "Tribunal" means a Tribunal constituted under section 7;

(g) words and expressions used herein and not defined but defined in the Banking Regulation Act, 1949, have the meanings 10 of 1949. respectively assigned to them in that Act.

CHAPTER II

TRANSFER OF THE UNDERTAKINGS OF EXISTING BANKS

3. (1) On the commencement of this Act, there shall be constituted such corresponding new banks as are specified in the First Schedule.

Establishment of corresponding new banks and business thereof.

(2) The paid-up capital of every corresponding new bank constituted under sub-section (1) shall, until any provision is made in this behalf in any scheme made under section 13, be equal to the paid-up capital of the existing bank in relation to which it is the corresponding new bank.

(3) The entire capital of each corresponding new bank shall stand vested in and allotted to the Central Government.

(4) Every corresponding new bank shall be a body corporate with perpetual succession and a common seal and shall sue and be sued in its name.

10 of 1949.

(5) Every corresponding new bank shall 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 forms of business specified in sub-section (1) of section 6 of that Act, and shall have power to acquire and hold property, whether movable or immovable, for the purposes of its business and to dispose of the same.

10 of 1949.

(6) Every corresponding new bank shall establish a reserve fund to which shall be transferred the share premiums and the balance, if any, standing to the credit of the existing bank in relation to which it is the corresponding new bank, and such further sums, if any, as may be transferred in accordance with the provisions of section 17 of the Banking Regulation Act, 1949.

4. On the commencement of this Act, the undertaking of every existing bank shall be transferred to, and shall vest in, the corresponding new bank.

Under-taking of existing banks to vest in corresponding new banks.

5. (1) The undertaking of each existing bank shall be deemed to include all assets, rights, powers, authorities and privileges and all property, movable and immovable, cash balances, reserve funds, investments and all other rights and interests arising out of such property as were immediately before the commencement of this Act in the ownership, possession, power or control of the existing bank in relation to the undertaking, whether within or without India, and all books of accounts, registers, records and all other documents of whatever nature relating thereto and shall also be deemed to include all borrowings, liabilities (including contingent liabilities) and obligations of whatever kind then subsisting of the existing bank in relation to the undertaking.

General effect of vesting.

(2) If, according to the laws of any country outside India, the provisions of this Act by themselves are not effective to transfer or vest any asset or liability situated in that country which forms part of the undertaking of an existing bank to, or in, the corresponding new bank,

the affairs of the existing bank in relation to such asset or liability shall, on and from the commencement of this Act, stand entrusted to the chief executive officer for the time being of the corresponding new bank, and the chief executive officer may exercise all powers and do all such acts and things as may be exercised or done by the existing bank for the purpose of effectively transferring such assets and discharging such liabilities.

(3) The chief executive officer of the corresponding new bank shall, in exercise of the powers conferred on him by sub-section (2), take all such steps as may be required by the laws of any such country outside India for the purpose of effecting such transfer or vesting, and may either himself or through any person authorised by him in this behalf realise any asset and discharge any liability of the existing bank.

(4) Notwithstanding anything contained in sub-section (2), on the commencement of this Act, no person shall make any claim or demand or take any proceeding in India against any existing bank or any person acting in its name or on its behalf except in so far as may be necessary for enforcing the provisions of this section or except in so far as it relates to any offence committed by such person.

(5) Unless otherwise expressly provided by this Act, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the commencement of this Act and to which the existing bank is a party or which are in favour of the existing bank shall be of as full force and effect against or in favour of the corresponding new bank, and may be enforced or acted upon as fully and effectually as if in the place of the existing bank the corresponding new bank had been a party thereto or as if they had been issued in favour of the corresponding new bank.

(6) If, on the date of commencement of this Act, any suit, appeal or other proceeding of whatever nature is pending by or against the existing bank, the same shall not abate, be discontinued or be, in any way, prejudicially affected by reason of the transfer of the undertaking of the existing bank or of anything contained in this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the corresponding new bank.

(7) Nothing in this Act shall be construed as applying to the assets, rights, powers, authorities and privileges and property, movable and immovable, cash balances and investments in any country outside India (and other rights and interests arising out of such property) of any existing bank operating in that country if, under the laws in force in that country, it is not permissible for a banking company, owned or controlled by Government, to carry on the business of banking there.

CHAPTER III

PAYMENT AND DETERMINATION OF COMPENSATION

Payment
of com-
pensa-
tion.

6. (1) The Central Government shall give compensation to each existing bank for the acquisition of its undertaking and such compensation shall be determined in accordance with the principles specified in

the Second Schedule and in the manner hereinafter set out, that is to say,—

(a) where the amount of compensation can be fixed by agreement, it shall be determined in accordance with such agreement;

(b) where no such agreement can be reached, the Central Government shall refer the matter to the Tribunal within a period of three months from the date on which the Central Government and the existing bank fail to reach an agreement regarding the amount of compensation.

(2) Notwithstanding that separate valuations are calculated under the principles specified in the Second Schedule in respect of the several matters referred to therein, the amount of compensation to be given shall be deemed to be a single compensation to be given for the undertaking as a whole.

(3) The amount of compensation determined in accordance with the foregoing provisions shall be paid to each existing bank, at its option,—

(a) in saleable or otherwise transferable promissory notes or stock certificates of the Central Government, issued and repayable at par, and maturing at the end of ten years from the date of commencement of this Act and carrying interest at the rate of four and a half per cent. per annum; or

(b) in saleable or otherwise transferable promissory notes or stock certificates of the Central Government, issued and repayable at par, and maturing at the end of thirty years from the date of commencement of this Act and carrying interest at the rate of five and a half per cent. per annum; or

(c) partly in such number of securities specified in clause (a) and partly in such number of securities specified in clause (b), as may be required by the existing bank.

(4) The option referred to in sub-section (3) shall be exercised by every existing bank within three months from the commencement of this Act (or within such further time, not exceeding three months, as the Central Government may, by notification in the Official Gazette, specify) and the option so exercised shall be final and shall not be altered or rescinded after it has been exercised.

(5) An existing bank which omits or fails to exercise the option referred to in sub-section (3), within the time specified in sub-section (4) shall be deemed to have exercised its option in favour of the securities specified in clause (a) of sub-section (3).

(6) Notwithstanding anything contained in this section, any existing bank may, before the expiry of three months from the commencement of this Act (or within such further time, not exceeding three months, as the Central Government may, by notification in the Official Gazette, specify) apply to the Central Government for an interim payment of one-half of the amount of its paid-up share capital and thereupon the Central Government shall, if the existing bank agrees in writing to distribute the amount so paid to its shareholders in accordance with

their rights and interests, pay the same to the existing bank in securities specified in sub-section (3) in accordance with the option exercised, or deemed to have been exercised, under sub-section (4) or sub-section (5), as the case may be:

Provided that where the Central Government makes an interim payment under this section, it shall pay to the existing bank by a cheque drawn on the Reserve Bank such sum as would enable the existing bank to distribute—

(a) in cash one-half of the amount paid-up on the shares held by a person if one-half of the amount paid-up on the shares held by such a person does not exceed five thousand rupees; and

(b) where one-half of the amount paid-up on the shares held by a person exceeds five thousand rupees, such sum as would enable the existing bank to pay to the holder of such shares a sum of five thousand rupees in cash and the balance of one-half of the amount paid-up on the shares held by such person in securities specified in sub-section (3).

(7) The interim payment made to an existing bank shall be set off against the total amount of the compensation payable to it under this Act and the balance of the compensation remaining outstanding after such payment shall be given to the existing bank in securities specified in sub-section (3) in accordance with the option exercised, or deemed to have been exercised, under sub-section (4) or sub-section (5), as the case may be.

(8) Where the amount of compensation, payable in the form of securities under this section is not a multiple of one hundred rupees, any excess over the highest such multiple shall be paid by a cheque drawn on the Reserve Bank.

(9) Nothing contained in sub-section (3) shall affect the rights *inter se* between an existing bank and any other person who may have an interest in such bank and such other person shall be entitled to enforce his interest against the compensation awarded to the existing bank but not against the Central Government or the corresponding new bank.

Constitu-
tion of
the Tri-
bunal.

7. (1) The Central Government may, for the purposes of this Act, constitute one or more Tribunals each of which shall consist of a Chairman and two other members.

(2) The Chairman of a Tribunal shall be a person who is, or has been, a Judge of a High Court or of the Supreme Court, and, of the two other members of a Tribunal, one shall be a person who, in the opinion of the Central Government, has had experience of banking and the other shall be a person who is a Chartered Accountant within the meaning of the Chartered Accountants' Act, 1949.

(3) If, for any reason, a vacancy occurs in the office of the Chairman, or any other member of a Tribunal, the Central Government may fill the vacancy by appointing another person thereto in accordance with the provisions of sub-section (2) and any proceeding may be continued before such Tribunal so constituted from the stage at which the vacancy had occurred.

(4) A Tribunal may for the purpose of determining any compensation payable under this Act, choose one or more persons having special knowledge or experience of any relevant matter to assist it in the determination of such compensation.

5 of 1908.

8. Every Tribunal shall have the powers of a Civil Court, while trying a suit under the Code of Civil Procedure, 1908, in respect of the following matters, namely:—

Tribunal to have powers of a Civil Court.

(a) summoning and enforcing the attendance of any person and examining him on oath;

(b) requiring the discovery and production of documents;

(c) receiving evidence on affidavits;

(d) issuing commissions for the examination of witnesses or documents.

9. (1) Every Tribunal shall have power to regulate its own procedure.

Procedure of the Tribunal.

(2) Every Tribunal may hold the whole or any part of its inquiry *in camera*.

(3) Any arithmetical or clerical error in any order of a Tribunal or any error arising therein from an accidental slip or omission may, at any time, be corrected by such Tribunal either of its own motion or on the application of any of the parties.

CHAPTER IV

MANAGEMENT OF CORRESPONDING NEW BANKS

10. (1) The head office of each corresponding new bank shall be at such place as the Central Government may, by notification in the Official Gazette, specify in this behalf, and, until any such place is so specified, shall be at the place at which the head office of the existing bank, in relation to which it is the corresponding new bank, is on the date of the commencement of this Act, located.

Head office and branches.

(2) The general superintendence and direction of the affairs and business of a corresponding new bank shall, until any provision to the contrary is made under any scheme made under section 13, vest in a Custodian, who shall be the chief executive officer of that bank and may exercise all powers and do all acts and things as may be exercised or done by that bank.

(3) The Chairman of the existing bank holding office as such immediately before the commencement of this Act, shall be the Custodian of the corresponding new bank and shall receive the same emoluments as he was receiving immediately before such commencement:

Provided that the Central Government may, if the Chairman of an existing bank declines to become, or to continue to function as, a Custodian of the corresponding new bank or, if it is of opinion that it is necessary so to do, appoint any other person as the Custodian of a corresponding new bank and the Custodian so appointed shall receive such emoluments as the Central Government may specify in this behalf.

(4) The Custodian shall hold office during the pleasure of the Central Government.

Corresponding new bank to be guided by the directions of the Central Government.

11. (1) Every corresponding new bank shall, in the discharge of its functions, be guided by such directions in regard to matters of policy involving public interest as the Central Government may, after consultation with the Governor of the Reserve Bank, give.

(2) If any question arises whether a direction relates to a matter of policy involving public interest, it shall be referred to the Central Government and the decision of the Central Government thereon shall be final.

Advisory Board to aid and advise the Custodian.

12. (1) There shall be an Advisory Board to aid and advise the Custodian in the discharge of his duties:

Provided that the Advisory Board shall be dissolved on the constitution of a Board of Directors in pursuance of a scheme made under clause (b) of sub-section (2) of section 13:

Provided further that the Central Government may, if it is of opinion that it is necessary so to do, dissolve the Advisory Board at any other time.

(2) The Advisory Board shall consist of representatives of the following, namely, the depositors of the corresponding new bank, employees of such bank, farmers, workers and artisans, to be elected in such manner and by such authority as may be prescribed, and shall also consist of such other persons as the Central Government may, by notification in the Official Gazette, appoint.

Power of Central Government to make scheme.

13. (1) The Central Government may, after consultation with the Reserve Bank, make a scheme for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, the said scheme may provide for all or any of the following matters, namely:—

(a) the capital structure of the corresponding new bank, so however that the paid-up capital of any such bank shall not be in excess of rupees fifteen crores;

(b) the constitution of the Board of Directors, by whatever name called, of the corresponding new bank and all such matters in connection therewith or incidental thereto as the Central Government may consider to be necessary or expedient;

(c) the reconstitution of any corresponding new bank into two or more corporations, the amalgamation of any corresponding new bank with any other corresponding new bank or with another banking institution, the transfer of the whole or any part of the undertaking of a corresponding new bank to any other banking institution or the transfer of the whole or any part of the undertaking of any other banking institution to a corresponding new bank;

(d) such incidental, consequential and supplemental matters as may be necessary to carry out the provisions of this Act.

(3) Every Board of Directors of a corresponding new bank shall include representatives of the following, namely, the depositors of such bank, employees thereof, farmers, workers and artisans, to be elected or nominated in such manner as may be specified in the scheme made under sub-section (1).

(4) The Central Government may, after consultation with the Reserve Bank, make a scheme to amend or vary any scheme made under sub-section (1).

CHAPTER V

MISCELLANEOUS

14. (1) Every corresponding new bank shall cause its books to be closed and balanced on the 31st day of December of each year and shall appoint, with the previous approval of the Reserve Bank, auditors for the audit of its accounts.

Closure
of ac-
counts
and
disposal
of
profits.

1 of 1956.

(2) Every auditor of a corresponding new bank shall be a person who is qualified to act as an auditor of a company under section 226 of the Companies Act, 1956, and shall receive such remuneration as the Reserve Bank may fix in consultation with the Central Government.

(3) 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 corresponding new 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 documents of the corresponding new bank,

(b) may, at the expense of the corresponding new bank employ accountants or other persons to assist him in investigating such accounts, and

(c) may, in relation to such accounts, examine the Custodian or any member of the Advisory Board or any officer or employee of the corresponding new bank.

(4) Every auditor of a corresponding new bank shall make a report to the Central Government upon the annual balance-sheet and accounts and in every such report shall state—

(a) whether, in his opinion, the balance-sheet is a full and fair balance-sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the corresponding new bank, and in case he had called for any explanation or information, whether it has been given and whether it is satisfactory;

(b) whether or not the transactions of the corresponding new bank, which have come to his notice, have been within the powers of that bank;

(c) whether or not the returns received from the offices and branches of the corresponding new bank have been found adequate for the purpose of his audit;

(d) whether the profit and loss account shows a true balance of profit or loss for the period covered by such account; and

(e) any other matter which he considers should be brought to the notice of the Central Government.

(5) The report of the auditor shall be verified, signed and transmitted to the Central Government in such manner as may be prescribed.

(6) The auditor shall also forward a copy of the audit report to the corresponding new bank and to the Reserve Bank.

(7) After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other matters for which provision is necessary under any law, or which are usually provided for by banking companies, a corresponding new bank shall transfer the balance of profits to the Central Government.

Removal
from
office of
directors,
etc.

15. (1) Every person holding office as Chairman, managing or whole-time director of an existing bank shall, on the commencement of this Act, be deemed to have vacated office and every other director of such bank (hereinafter referred to as the 'continuing directors') shall, until directors are duly elected by such existing bank, be deemed to continue to hold such office.

(2) Until the Board of Directors of an existing bank is duly constituted by it, the continuing directors shall be deemed to constitute its Board of Directors (hereinafter referred to as the 'continuing Board') and the Board of Directors or the continuing Board, as the case may be, may transact all or any of the following business, namely:—

(a) registration of the transfer or transmission of shares;

(b) arriving at an agreement about the amount of compensation payable under this Act or appearing before the Tribunal for obtaining a determination as to the amount of compensation;

(c) distribution to each shareholder of the amount of compensation received by it under this Act for the acquisition of its undertaking;

(d) carrying on the business of banking in any country outside India if under the law in force in that country any bank, owned or controlled by Government, is prohibited from carrying on the business of banking there;

(e) carrying on any business other than the business of banking.

(3) The Board of Directors of an existing bank, or its continuing Board, as the case may be, may authorise all such expenditure as it may think fit for discharging any of the functions referred to in sub-section (2) and the Central Government may authorise the corresponding new bank to make an advance of the amount required by the existing bank

in connection therewith and any amount so advanced shall be recouped from out of the compensation payable to the existing bank under this Act.

(4) Save as otherwise provided in sub-section (1), all officers and other employees of an existing bank shall become, on the commencement of this Act, officers and employees of the corresponding new bank and shall hold their offices or services in that bank on the same terms and conditions and with the same rights to pension, gratuity and other matters as would have been admissible to them if the undertaking of the existing bank had not been transferred to and vested in the corresponding new bank and continue to do so unless and until their employment in the corresponding new bank is terminated or until their remuneration, terms or conditions are duly altered by the corresponding new bank.

(5) For the persons who immediately before the commencement of this Act were the trustees for any pension, provident, gratuity or other like fund constituted for the officers or other employees of an existing bank, there shall be substituted as trustees such persons as the Central Government may, by general or special order, specify.

14 of 1947 (6) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the transfer of the services of any officer or other employee from an existing bank to a corresponding new bank shall not entitle such officer or any other employee to any compensation under this Act or any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.

16. (1) Every corresponding new 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 law or practice and usage customary among bankers, necessary or appropriate for the corresponding new bank to divulge such information. Obligations as to fidelity and secrecy.

(2) Every director, member of a local board or a committee, or auditor, adviser, officer or other employee of a corresponding new bank shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Third Schedule.

(3) Every Custodian of a corresponding new bank shall, as soon as possible, make a declaration of fidelity and secrecy in the form set out in the Third Schedule.

45 of 1860. 17. Every Custodian of a corresponding new bank shall be deemed to be a public servant for the purposes of Chapter IX of the Indian Penal Code. Custodi to be public secrecy.

18. (1) All acts done by the Custodian, acting in good faith, shall, notwithstanding any defect in his appointment or in the procedure, be valid. Certain defects not to invalida acts or proceed ings

(2) No act or proceeding of any Board of Directors or a local board or committee of a corresponding new bank shall be invalid merely on

the ground of the existence of any vacancy, or defect in the constitution of, such board or committee, as the case may be.

(3) All acts done by a person acting in good faith as a director or member of a local board or committee of a corresponding new bank shall be valid, notwithstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in any law for the time being in force:

Provided that nothing in this section shall be deemed to give validity to any act done by a director or member of a local board or committee of a corresponding new bank after his appointment has been shown to the corresponding new bank to be invalid or to have terminated.

Indemnity. 19. (1) Every Custodian of a corresponding new bank and every officer of the Central Government and of the Reserve Bank and every officer or other employee of a corresponding new bank, shall be indemnified by such bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as have been caused by his own wilful act or default.

(2) A director or member of a local board or committee of a corresponding new bank shall not be responsible for any loss or expense caused to such bank by the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the corresponding new 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, unless such loss, expense, insufficiency or deficiency was due to any wilful act or default on the part of such director or member.

References to existing banks on and from the commencement of this Act. 20. Any reference to any existing bank, in any law, other than this Act, or in any contract or other instrument shall be construed as a reference to the corresponding new bank in relation to it:

Provided that nothing in this section shall apply to an existing bank in relation to any business which it may, notwithstanding the provisions of section 4, carry on.

Dissolution. 21. No provision of law relating to winding up of corporations shall apply to a corresponding new bank and no corresponding new bank shall be placed in liquidation save by order of the Central Government and in such manner as it may direct.

Power to make rules. 22. (1) The Central Government may, by notification in the Official Gazette, make such rules as it may think fit to carry out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing powers, such rules may provide for all or any of the following matters, namely:—

(a) the manner in which the business of the Advisory Board shall be transacted and the procedure to be followed at the meetings thereof;

(b) fees and allowances which may be paid to members of the Advisory Board for attending any meetings of the Board or of any Committee that may be constituted by the Board;

(c) the formation of any Committee whether of the Advisory Board or of the corresponding new bank and the delegation of powers and functions to such Committees;

(d) any other matter which is required to be, or may be, prescribed.

23. Every rule and every scheme 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 successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in the rule or scheme or both Houses agree that the rule or scheme should not be made, the rule or scheme 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 or scheme, as the case may be.

Rules and schemes to be laid before Parliament.

24. (1) The Board of Directors of a corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, make regulations, not inconsistent with the provisions of this Act and any rule or scheme made thereunder, to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.

Power to make regulations.

(2) In particular and without prejudice to the generality of the foregoing power, the regulations may provide for all or any of the following matters, namely:—

(a) the powers, functions and duties of local boards and restrictions, conditions or limitations, if any, subject to which they may be exercised or performed, the formation and constitution of local committees and committees of local board (including the number of members of any such committee), 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;

(b) the manner in which the business of the local boards shall be transacted and the procedure in connection therewith;

(c) the delegation of powers and functions of the board of directors of a corresponding new bank to the general manager, director, officer or other employee of that bank;

(d) the conditions or limitations subject to which the corresponding new bank may appoint officers, advisers and other employees and fix their remuneration and other terms and conditions of service;

(e) the duties and conduct of officers, advisers and other employees of the corresponding new bank;

(f) the establishment and maintenance of superannuation, pension, provident or other funds for the benefit of officers or employees of the corresponding new bank or of the dependants of such officers or employees and the granting of superannuation allowances, annuities and pensions payable out of such funds;

(g) the conduct and defence of legal proceedings by or against the corresponding new bank and the manner of signing pleadings;

(h) the provision of a seal for the corresponding new bank and the manner and effect of its use;

(i) the form and manner in which contracts binding on the corresponding new bank may be executed;

(j) the conditions and the requirements subject to which loans or advances may be made or bills may be discounted or purchased by the corresponding new bank;

(k) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of officers or employees of the corresponding new bank or their dependants;

(l) the preparation and submission of statements of programmes of activities and financial statements of the corresponding new bank and the period for which and the time within which such statements and estimates are to be prepared and submitted; and

(m) generally for the efficient conduct of the affairs of the corresponding new bank.

(3) Until any regulation is made under sub-section (1), the articles of association of the existing bank and every regulation, rule, bye-law or order made by the existing bank shall, if in force at the commencement of this Act, be deemed to be the regulations made under sub-section (1) and shall have effect accordingly and any reference therein to any authority of the existing bank shall be deemed to be a reference to the corresponding authority of the corresponding new bank and until any such corresponding authority is constituted under this Act, shall be deemed to refer to the Custodian.

Amend-
ment
of
certain
enact-
ments.

25. (1) In the Banking Regulation Act, 1949,—

10 of 1948

(a) in section 34A, in sub-section (3), for the words "and any subsidiary bank", the words, figures and brackets "a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, and any subsidiary bank" shall be substituted;

(b) in section 36AD, in sub-section (3), for the words "and any subsidiary bank", the words, figures and brackets "a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, and any subsidiary bank" shall be substituted;

(c) in section 51, for the words "or any other banking institution notified by the Central Government in this behalf", the words, figures and brackets "or any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, or any other banking institution notified by the Central Government in this behalf" shall be substituted;

(d) in the Fifth Schedule, in Part I of paragraph 1, after clause (e), the following *Explanations* shall be inserted, namely:—

Explanation 1.—For the purposes of this clause, "value" shall be deemed to be the market value of the land or buildings, but where such market value exceeds the ascertained value, determined in the manner specified in *Explanation 2*, shall be deemed to mean such ascertained value.

Explanation 2.—Ascertained value shall be equal to,—

(A) in the case of any building (including the land on which it is erected or which is appurtenant thereto) which is wholly occupied on the appointed day, twelve times the amount of the annual rent or the rent for which the building may reasonably be expected to be let out from year to year, after deducting from such rent,—

(i) one-sixth of the amount thereof on account of maintenance and repairs,

(ii) the amount of any annual premium paid to insure the building against any risk of damage or destruction,

(iii) where the building is subject to any annual charge, not being a capital charge, the amount of such charge,

(iv) where the building is subject to a ground rent, the amount of such ground rent,

(v) where the building is subject to a mortgage or other capital charge, the amount of interest on such mortgage or charge,

(vi) where the building has been acquired, constructed, repaired, renewed or re-constructed with borrowed capital, the amount of any interest payable on such capital, and

(vii) any sums paid on account of land revenue or other taxes in respect of such building;

(B) in the case of any building (including the land on which it is erected or which is appurtenant thereto) which is partially occupied on the appointed day, the value of the portion which is occupied, ascertained in accordance with the provisions of sub-clause (A) [the deductions under sub-clauses (ii) to (vii) being made on a proportionate basis] and multiplied thereafter by the ratio which the entire plinth

area of the building bears to the plinth area of the portion of the building which has been occupied or let out;

(C) in the case of any land which has no building erected thereon or which is not appurtenant to any building, the value, determined with reference to the prices at which sales or purchases of similar or comparable properties have been made during the period of three years immediately preceding the appointed day, by instruments registered under the Indian Registration Act, 1908, in the city, town or village where such land is situated.' 16 of 1908.

(2) In the Industrial Disputes Act, 1947, in section 2, in clause (bb), 14 of 1947. for the words "and any subsidiary bank", the words, figures and brackets "a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, and any subsidiary bank" shall be substituted.

(3) In the Banking Companies (Legal Practitioners' Clients' Accounts) Act, 1949, in section 2, in clause (a), for the words "and any subsidiary bank", the words, figures and brackets "a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, and any subsidiary bank" shall be substituted. 46 of 1949.

(4) In the Deposit Insurance Corporation Act, 1961,— 47 of 1961.

(a) in section 2,—

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

'(ee) "corresponding new bank" means a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969;'

(ii) in clause (i), after the words "banking company", the words "or a corresponding new bank" shall be inserted;

(b) section 13 shall be re-numbered as sub-section (1) thereof and after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely:—

"(2) The provisions of clauses (a), (b), (c), (d) and (h) of sub-section (1) shall apply to a corresponding new bank as they apply to a banking company."

(5) In the State Agricultural Credit Corporations Act, 1968,— 60 of 1968.

(a) in section 2, after clause (i), the following clause shall be inserted, namely:—

'(ii) "corresponding new bank" means a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969;'

(b) after the words "subsidiary banks" or "subsidiary bank", as the case may be, occurring in clause (d) of sub-section (3) of section 5, in clause (b) of section 9 and in the proviso to section 18, the words "corresponding new banks" or "corresponding new bank", as the case may be, shall be inserted.

26. If any difficulty arises in giving effect to the provisions of this Act, the Central Government may make such order, not inconsistent with the provisions of this Act, as may appear to it to be necessary for the purpose of removing the difficulty: Removal
of diffi-
culties.

Provided that no such power shall be exercised after the expiry of a period of two years from the commencement of this Act.

27. (1) The Banking Companies (Acquisition and Transfer of Under- Repeal
and saving.
takings) Ordinance, 1969, is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken, including any order made, notification issued or direction given, under the said Ordinance shall be deemed to have been done, taken, made, issued or given, as the case may be, under the corresponding provision of this Act.

(3) No action taken or thing done under the said Ordinance shall, if it is inconsistent with the provisions of this Act, be of any force or effect.

(4) Notwithstanding anything contained in the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969, no right, privilege, obligation or liability shall be deemed to have been acquired, accrued or incurred thereunder.

THE FIRST SCHEDULE

(See sections 2, 3 and 4)

Column 1	Column 2
<i>Existing bank</i>	<i>Corresponding new bank</i>
The Central Bank of India Limited.	Central Bank of India.
The Bank of India Limited.	Bank of India.
The Punjab National Bank Limited.	Punjab National Bank.
The Bank of Baroda Limited.	Bank of Baroda.
The United Commercial Bank Limited.	United Commercial Bank.
Canara Bank Limited.	Canara Bank.
United Bank of India Limited.	United Bank of India.
Dena Bank Limited.	Dena Bank.
Syndicate Bank Limited.	Syndicate Bank.
The Union Bank of India Limited.	Union Bank of India.
Allahabad Bank Limited.	Allahabad Bank.
The Indian Bank Limited.	Indian Bank.
The Bank of Maharashtra Limited.	Bank of Maharashtra.
The Indian Overseas Bank Limited.	Indian Overseas Bank.

THE SECOND SCHEDULE

(See section 6)

PRINCIPLES OF COMPENSATION

1. The compensation to be paid by the Central Government to each existing bank in respect of the acquisition of the undertaking thereof shall be an amount equal to the sum-total of the value of the assets of the existing bank as on the commencement of this Act, calculated in accordance with the provisions of Part I, less the sum-total of the liabilities computed and obligations of the existing bank calculated in accordance with the provisions of Part II.

Part I.—Assets

For the purposes of this Part, "assets" means the total of the following:—

(a) the amount of cash in hand and with the Reserve Bank and the State Bank of India (including foreign currency notes which shall be converted at the market rate of exchange);

(b) the amount of balances with any bank, whether on deposit or current account, and money at call and short notice, balances held outside India being converted at the market rate of exchange:

Provided that any balances which are not realisable in full shall be deemed to be debts and valued accordingly;

(c) the market value, as on the day immediately before the commencement of this Act, of any securities, shares, debentures, bonds and other investments, held by the bank concerned.

Explanation.—For the purposes of this clause—

(i) securities of the Central and State Governments [other than the securities specified in clauses (ii) and (iii) of this *Explanation*] maturing for redemption within five years from the commencement of this Act shall be valued at the face value or the market value, whichever is higher;

(ii) securities of the Central Government, such as Post Office Certificates and Treasury Savings Deposit Certificates and any other securities or certificates issued or to be issued under the Small Savings Schemes of the Central Government, shall be valued at their face value or the encashable value as on the day immediately before the commencement of this Act, whichever is higher;

(iii) where the market value of any Government security such as the zamindari abolition bond or other similar securities in respect of which the principal is payable in instalments, is not ascertainable or is, for any reason, not considered as reflecting the fair value thereof or as otherwise appropriate, the securities shall be valued at such an amount as is considered reasonable having regard to the instalments of principal and interest remaining to be paid, the period during which such instalments are payable, the yield of any security,

issued by the Government to which the security pertains and having the same or approximately the same maturity, and other relevant factors;

(iv) where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period;

(v) where the market value of any security, share, debenture, bond or other investment is not ascertainable, only such value, if any, shall be taken into account as is considered reasonable having regard to the financial position of the issuing concern, the dividend paid by it during the preceding five years and other relevant factors;

(d) the amount of advances (including loans, cash credits, overdrafts, bills purchased and discounted) and other debts, whether secured or unsecured, to the extent to which they are reasonably considered recoverable, having regard to the value of the security, if any, the operation on the account, the reported worth and respectability of the borrower, the prospects of realisation and other relevant considerations;

(e) the value of any land or buildings.

Explanation 1.—For the purpose of this clause, “value” shall be deemed to be the market value of the land or buildings, but where such market value exceeds the ascertained value, determined in the manner specified in *Explanation 2*, shall be deemed to mean such ascertained value.

Explanation 2.—Ascertained value shall be equal to,—

(1) in the case of any building (including the land on which it is erected or which is appurtenant thereto) which is wholly occupied on the date of the commencement of this Act, twelve times the amount of the annual rent or the rent for which the building may reasonably be expected to be let out from year to year, after deducting from such rent,—

(i) one-sixth of the amount thereof on account of maintenance and repairs,

(ii) the amount of any annual premium paid to insure the building against any risk of damage or destruction,

(iii) where the building is subject to any annual charge, not being a capital charge, the amount of such charge,

(iv) where the building is subject to a ground rent, the amount of such ground rent,

(v) where the building is subject to a mortgage or other capital charge, the amount of interest on such mortgage or charge,

(vi) where the building has been acquired, constructed, repaired, renewed or re-constructed with borrowed capital, the amount of any interest payable on such capital, and

(vii) any sums paid on account of land revenue or other taxes in respect of such building;

(2) in the case of any building (including the land on which it is erected or which is appurtenant thereto) which is partially occupied on the date of the commencement of this Act, the value of the portion which is occupied, ascertained in accordance with the provisions of sub-clause (1) [the deductions under sub-clauses (ii) to (vii) being made on a proportionate basis] and multiplied thereafter by the ratio which the entire plinth area of the building bears to the plinth area of the portion of the building which has been occupied or let out;

(3) in the case of any land which has no building erected thereon or which is not appurtenant to any building, the value, determined with reference to the prices at which sales or purchases of similar or comparable lands have been made during the period of three years immediately preceding the date of the commencement of this Act, by instruments registered under the Indian Registration Act, 1908, in the city, town or village where such land is situated; 16 of 1908.

(f) the total amount of the premia paid, in respect of all leasehold properties, reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease;

(g) the written down value as per books, or the realisable value, as may be considered reasonable, of all furniture, fixtures and fittings;

(h) the market or realisable value, as may be appropriate, of other assets appearing on the books of the bank, no value being allowed for capitalised expenses, such as share selling commission, organisational expenses and brokerage, losses incurred and similar other items.

Part II—Liabilities

For the purposes of this Part, "liabilities" means the total amount of all outside liabilities existing at the commencement of this Act, and all contingent liabilities which the corresponding new bank may reasonably be expected to be required to meet out of its own resources on or after the date of commencement of this Act.

CERTAIN DIVIDENDS NOT TO BE TAKEN INTO ACCOUNT

2. No separate compensation shall be payable for any dividend in respect of any period immediately preceding the commencement of this Act:

Provided that nothing in this paragraph shall preclude the payment of any dividend which was declared before such commencement.

THE THIRD SCHEDULE

[See sub-sections (2) and (3) of section 16]

DECLARATION OF FIDELITY AND SECRECY

I,, do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as Custodian, Director, member of Local Board, member of Local Committee, auditor, adviser, officer or other employee (as the case may be) of the * and which properly relate to the office or position in the said* held by me.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the * or to the affairs of any person having any dealing with the * ; nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the * and relating to the business of the * or to the business of any person having any dealing with the*

*Name of corresponding new bank to be filed in.

Section 4
to insert
in Schedule