

THE REGIONAL RURAL BANKS (AMENDMENT)
ACT, 1987

No. 1 OF 1988

[3rd January, 1988.]

An Act further to amend the Regional Rural Banks Act, 1976.

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

1. (1) This Act may be called the Regional Rural Banks (Amendment) Act, 1987.

Short title and commencement

(2) It shall come into force on such date¹ as the Central Government may, by notification in the Official Gazette, appoint.

21 of 1976. 2. In section 2 of the Regional Rural Banks Act, 1976 (hereinafter referred to as the principal Act), after clause (c), the following clause shall be inserted, namely:—

Amendment of section 2.

61 of 1981. '(ca) "National Bank" means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;'

3. In section 3 of the principal Act, for sub-section (3), the following sub-section shall be substituted, namely:—

Amendment of section 3.

"(3) It shall be the duty of the Sponsor Bank to aid and assist the Regional Rural Bank, sponsored by it, by—

(a) subscribing to the share capital of such Regional Rural Bank;

(b) training personnel of such Regional Rural Bank; and

(c) providing such managerial and financial assistance to such Regional Rural Bank during the first five years of its functioning, as may be mutually agreed upon between the Sponsor Bank and the Regional Rural Bank:

Provided that the Central Government may, either on its own motion or on the recommendation of the National Bank, extend the said period of five years by such further period, not exceeding five years at a time, subject to such conditions as it may deem fit to impose."

¹ 28-9-1988 vide Notification No. S.O. 897 (E), dated 28-9-1988, Gazette of India, Extraordinary, 1988, Pt. II, Sec. 3 (ii).

Amendment of section 4.

4. In section 4 of the principal Act, in sub-section (1), for the words "Reserve Bank", the words "National Bank" shall be substituted.

Amendment of section 5.

5. In section 5 of the principal Act,—

(a) for the words "one crore of rupees, divided into one lakh", the words "five crores of rupees divided into five lakhs" shall be substituted;

(b) in the proviso, for the words "Reserve Bank", the words "National Bank" shall be substituted.

Amendment of section 6.

6. In section 6 of the principal Act,—

(a) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) The issued capital of each Regional Rural Bank shall, in the first instance, be such as may be fixed by the Central Government in this behalf, but it shall in no case be less than twenty-five lakhs of rupees or exceed one crore of rupees.";

(b) in sub-section (3), for the words "Reserve Bank", the words "National Bank" shall be substituted.

Amendment of section 9.

7. In section 9 of the principal Act, in sub-section (1), for clauses (a), (b) and (c), the following clauses shall be substituted, namely:—

(a) two directors, who are not officers of the Central Government, State Government, Reserve Bank, National Bank, Sponsor Bank or any other bank, to be nominated by the Central Government;

(b) one director, who is an officer of the Reserve Bank, to be nominated by that Bank;

(c) one director, who is an officer of the National Bank, to be nominated by that Bank;

(d) two directors, who are officers of the Sponsor Bank, to be nominated by that Bank; and

(e) two directors, who are officers of the concerned State Government, to be nominated by that Government."

Amendment of section 11.

8. In section 11 of the principal Act,—

(i) in sub-section (1),—

(a) for the words "The Central Government", the words "The Sponsor Bank" shall be substituted;

(b) the following proviso shall be inserted, namely:—

"Provided that no appointment of such an individual shall be made,—

(a) if such an individual is an officer of the Sponsor Bank, except after consultation with the National Bank; and

(b) in any other case, except with the prior approval of the Central Government.";

(ii) for sub-section (1A), the following sub-section shall be substituted, namely:—

“(1A) Notwithstanding anything contained in sub-section (1),—

(a) the Sponsor Bank shall have the right to terminate the term of office of the Chairman at any time before the expiry of the period specified in sub-section (1):

Provided that no such termination shall be made,—

(a) if the Chairman is an officer of the Sponsor Bank, except after consultation with the National Bank; and

(b) in any other case, except with the prior approval of the Central Government:

Provided further that where the Chairman is not an officer of the Central Government, State Government, Reserve Bank, National Bank, Sponsor Bank or any other bank, he shall be given notice of not less than three months in writing or three months' salary and allowances in lieu of such notice; and

(b) the Chairman shall have the right to resign his office at any time before the expiry of the period specified in sub-section (1) by giving to the Sponsor Bank, notice of not less than three months in writing.”;

(iii) in sub-section (4),—

(a) for the words “The Central Government”, the words “The Sponsor Bank” shall be substituted;

(b) for the words “Provided that”, the following shall be substituted, namely:—

“Provided that no such removal shall be made,—

(a) if the Chairman is an officer of the Sponsor Bank, except after consultation with the National Bank; and

(b) in any other case, except with the prior approval of the Central Government:

Provided further that”;

(iv) in sub-section (5), for the words “the Central Government”, the words “the Sponsor Bank in consultation with the National Bank” shall be substituted.

9. In section 13 of the principal Act, for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) A director may resign his office by giving notice thereof in writing to the authority by which he was nominated; and, on such resignation being accepted, the director shall be deemed to have vacated his office.”.

Amendment of section 16.

10. In section 16 of the principal Act, after the words "Reserve Bank," at both the places where they occur, the words "National Bank," shall be inserted.

Amendment of section 17.

11. In section 17 of the principal Act, in sub-section (1),—

(a) after the words "necessary or desirable", the words "in such manner as may be prescribed" shall be inserted;

(b) in the first proviso, the words " , during the first five years of the functioning of a Regional Rural Bank," shall be omitted.

Amendment of section 20.

12. In section 20 of the principal Act, in sub-section (1), for the words "sixty days from the date of closure of its accounting year", the words "three months from the date of the closure of its accounting year, or such further period, not exceeding three months, as may be permitted by the Reserve Bank" shall be substituted.

Insertion of new Chapter VA.

13. After Chapter V of the principal Act, the following Chapter shall be inserted, namely:—

"CHAPTER VA

AMALGAMATION OF REGIONAL RURAL BANKS

Amalgamation of Regional Rural Banks.

23A. (1) Notwithstanding anything contained in this Act, if the Central Government, after consultation with the National Bank, the concerned State Government and the Sponsor Bank, is of the opinion that it is necessary in the public interest or in the interest of the development of the area served by any Regional Rural Bank or in the interest of the Regional Rural Banks themselves, that two or more Regional Rural Banks should be amalgamated, that Government may, by notification in the Official Gazette, provide for the amalgamation of such Regional Rural Banks (hereafter in this Chapter referred to as the transferor Regional Rural Banks) into a single Regional Rural Bank (hereafter in this Chapter referred to as the transferee Regional Rural Bank) with such constitution, property, powers, rights, interests, authorities and privileges; and with such liabilities, duties and obligations, as may be specified in the notification.

(2) Every notification issued under sub-section (1) shall indicate the date with effect from which the amalgamation shall become effective.

(3) Every notification issued under sub-section (1) may also provide for all or any of the following matters, namely:—

(a) the continuance in service of all the employees of the transferor Regional Rural Banks (excepting such of them as not being workmen with the meaning of the Industrial Disputes Act, 1947 are specifically mentioned in the notification) in the transferee Regional Rural Bank at the same remuneration and on the same terms and conditions of service, which they were getting or, as the case may be, by which they were being governed, immediately before the date on which the amalgamation takes effect;

(b) notwithstanding anything contained in clause (a), where any of the employees of the transferor Regional Rural Banks, not

14 of 1947.

being workmen within the meaning of the Industrial Disputes Act, 1947 are specifically mentioned in the notification, or where any employee of the transferor Regional Rural Banks has by notice in writing given to the transferee Regional Rural Bank at any time before the expiry of a period of three months next following the date on which the amalgamation takes effect, intimated his intention of not becoming an employee of the transferee Regional Rural Bank, the payment to such employee of compensation, if any, to which he is entitled under the Industrial Disputes Act, 1947, and such gratuity, provident fund and other retirement benefits ordinarily admissible to him under the rules or authorisations of the concerned transferor Regional Rural Banks immediately before that date;

(c) the other terms and conditions for the amalgamation of Regional Rural Banks; and

(d) the continuance by or against the transferee Regional Rural Bank of any pending legal proceeding by or against any transferor Regional Rural Banks and such consequential, incidental and supplemental provisions, as may, in the opinion of the Central Government, be necessary to give effect to the amalgamation.

(4) Every notification issued under sub-section (1) shall, as soon as may be after it has been made, be laid before each House of Parliament.

23B. (1) A notification issued under sub-section (1) of section 23A, shall constitute sufficient notice of the provisions thereof to all the parties concerned and shall be binding on the transferor Regional Rural Banks and the transferee Regional Rural Bank and to the depositors, creditors, employees and all other persons having dealings with such banks.

(2) Notwithstanding anything contained in the Transfer of Property Act, 1882 or the Registration Act, 1908, any notification issued under sub-section (1) of section 23A shall be sufficient conveyance, in accordance with the provisions of the notification, of the business, properties, assets and liabilities, rights, interests, powers, privileges, benefits and obligations of whatever nature of the transferor Regional Rural Banks to the transferee Regional Rural Bank.

(3) On and from the date on which the amalgamation takes effect under section 23A, any reference to the transferor Regional Rural Banks in any agreement, conveyance, assurance, power of attorney or any other document of whatsoever nature, shall be deemed to be a reference to the transferee Regional Rural Bank and the rights and obligations of the transferor Regional Rural Banks shall be deemed to be the rights and obligations of the transferee Regional Rural Bank to the extent specified in the said amalgamation.

23C. On and from the date on which the amalgamation takes effect under section 23A, the transferor Regional Rural Banks shall cease to carry on business, including that of making of any payment to any depositors or discharge any liability or obligation to the creditors except to the extent as may be necessary for the implementation of the provisions of the said amalgamation.

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Liquidation of Regional Rural Banks.

23D. Where a notification is issued for the amalgamation of Regional Rural Banks under sub-section (1) of section 23A, the Central Government may, by a further notification in the Official Gazette, direct that on such date as may be specified therein, the transferor Regional Rural Banks, which by reason of amalgamation will cease to function, shall stand dissolved and such direction shall take effect notwithstanding anything to the contrary contained in section 26.

Insertion of new section 24A.

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

Inspection, audit and scrutiny by the Sponsor Bank.

“24A. Notwithstanding anything contained in section 19 and without prejudice to the provisions of section 35 of the Banking Regulation Act, 1949, the Sponsor Bank shall, from time to time, monitor the progress of the Regional Rural Banks sponsored by it and cause inspection, internal audit and scrutiny to be made by one or more of its officers and suggest corrective measures to be taken by such Regional Rural Bank.”

Amendment of section 28.

15. In section 28 of the principal Act, in sub-section (2), after the words “the Reserve Bank”, the words “or the National Bank” shall be inserted.

Amendment of section 29.

16. In section 29 of the principal Act,—

(a) in sub-section (1), for the words “Reserve Bank”, the words “National Bank” shall be substituted;

(b) in sub-section (2), after clause (b), the following clause shall be inserted, namely:—

“(ba) the manner in which the officers and other employees of the Regional Rural Banks shall be appointed;”

Amendment of section 30.

17. In section 30 of the principal Act, in sub-section (1), for the words “Reserve Bank”, the words “National Bank” shall be substituted.