



Bill Summary

The State Bank of India (Subsidiary Banks Laws) Bill, 2009

- The State Bank of India (Subsidiary Banks Laws) Amendment Bill, 2009 was introduced in the Lok Sabha on December 18, 2009. The Bill was introduced by the Minister of Finance, Shri Pranab Mukherjee. The Bill was referred to the Department related Standing Committee on Finance (Chairperson: Dr Murli Manohar Joshi), which is scheduled to submit its report within three months.
- The Bill amends the State Bank of Hyderabad, 1956 and the State Bank of India (Subsidiary Banks) Act, 1959. These Acts regulate all the subsidiary banks of the State Bank of India (SBI).
- These two Acts allow SBI, with approval from the Reserve Bank of India (RBI), to take certain actions regarding the functioning of subsidiary banks. For example, SBI may permit an increase or reduction in authorised capital with approval from RBI. The Bill now requires approval from the central government in consultation with RBI.
- The Bill also requires approval from the central government for increasing its issued capital by issuing equity shares by public issue, preferential allotment or private placement, and issuing bonus shares.
- Other decisions that now require approval by the central government in consultation with the RBI include: (i) the composition of the Board of Directors of a subsidiary bank; (ii) nominations or appointments of directors to the subsidiary bank; (iii) appointing a managing director; and (iv) removal of directors.
- In certain cases, RBI, on the recommendation of SBI, may supersede the Board of Directors of the subsidiary bank and issue direction. The Bill revises this to allow the central government to supersede the Board of Directors on the recommendation of the RBI and in consultation with SBI.
- The Board of Directors of a subsidiary bank after consultation with SBI and prior approval of RBI make regulations and rules related to this Act. The Bill requires prior approval by the central government after consultation with both SBI and RBI.

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