



Bill Summary

The State Bank of India (Amendment) Bill, 2006

- The State Bank of India (Amendment) Bill, 2006 was introduced in the Lok Sabha on December 18, 2006. The Bill was introduced by the Ministry of Finance. The Bill seeks to amend the State Bank of India (SBI) Act, 1955 (Principal Act)
- The principal act was last amended in 1993 to enable the SBI to access the capital market. While the SBI can issue equity shares or bonds, there is no express provision in the principal act which allows the SBI to issue preference shares and also bonus shares.
- The Bill seeks to provide for enhancement of the capital of the SBI by issue of preference shares to enable it to raise resources from the market by public issue, preferential allotment or private placement. [The new capital adequacy norms (Basel II) and the growth of SBI's overall business could require an increase in capital base.]
- The Bill proposes to reduce the RBI shareholding from 55 per cent to 51 per cent consisting of the equity shares of the issued capital. [The entire shareholding of RBI has been transferred to the Government of India by an Ordinance in June 2007, and an Act passed in August 2007. Consequently, this provision needs to be amended to reflect this change in shareholding.]
- The Bill proposes to amend the principal act to increase the authorised capital of SBI to Rs 5000 crores divided into shares of Rs 10 each.
- SBI is allowed to issue bonus shares to the existing equity shareholders as per the direction of the RBI and the approval of the Central Government. It also provides for a nomination facility in respect of shares held by individual or joint shareholders.
- The Bill proposes to restrict the voting rights of preference shareholders of the SBI and allows the Central Government to appoint up to four Managing Directors in consultation with RBI. It specifies the qualification for election of directors of SBI. It also abolishes the post of Vice-chairman.
- The Bill also changes some of the procedures for the election of a director.
- The central government is given the power to supersede the central board in certain cases on the recommendations of RBI, and to appoint an interim administrator.
- The Bill allows the transfer of unpaid or unclaimed dividend of the SBI up to 30 days to 'unpaid dividend account' and after seven years to the 'Investor Education and Protection Fund' established under the Companies Act, 1956.

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