

Merging associate banks with the SBI

In August 2017, the Lok Sabha passed the State Banks (Repeal and Amendment) Bill of 2017 to amend the State Bank of India (SBI) Act of 1955 to remove references related to subsidiary banks.

After the acquisition of subsidiary banks by the SBI, subsidiary banks have ceased to exist. Therefore, the government found it necessary to repeal the SBI (Subsidiary Banks) Act of 1959 and the State Bank of Hyderabad Act of 1956.

The government has also found it unnecessary to retain certain provisions in the SBI Act, 1955, which apply to subsidiary banks. These subsidiary banks — State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Patiala, and State Bank of Travancore — were constituted under the SBI (Subsidiary Banks) Act of 1959.

The State Bank of Hyderabad was originally constituted as Hyderabad State Bank under the Hyderabad State Bank Act and renamed as the State Bank of Hyderabad under sub-section (1) of Section 3 of the State Bank of Hyderabad Act of 1956.

To rationalise resources, reduce costs, improve profits, for lower cost of funds leading to better rate of interest for the public, and to improve productivity and customer service, the SBI, with the sanction of the Central government and in consultation with the Reserve Bank of India (RBI), entered into negotiations with the State Bank of Bikaner and Jaipur, the State Bank of Mysore, the State Bank of Patiala, the State Bank of Travancore and the State Bank of Hyderabad for acquiring their business, including assets and liabilities. The schemes relating to such acquisitions were agreed upon by the Central Board of the SBI and the respective boards of the subsidiary banks and approved by the RBI. In exercise of the powers conferred by sub-section (2) of Section 35 of the SBI Act, 1955, the Central government accorded its sanction.

Accordingly, the Central government issued the following orders, sanctioning the scheme of acquisition: (a) the Acquisition of State Bank of Bikaner and Jaipur Order, 2017; (b) the Acquisition of State Bank of Mysore Order, 2017; (c) the Acquisition of State Bank of Patiala Order, 2017; (d) the Acquisition of State Bank of Travancore Order, 2017; and (e) the Acquisition of State Bank of Hyderabad Order, 2017. As per these, the business of these subsidiary banks is to be carried out by the SBI in accordance with the SBI Act, 1955, with effect from April 1, 2017.

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