

# **R.M.M. Law College, Saharsa**

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**L.L.B Part- 1<sup>st</sup>**

**Subject- Banking Law**

**Paper- 8<sup>th</sup>**

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**Topic- What is Banking Law. What is the procedure and effect of amalgamation of banking companies.**

## **Banking Law**

Banking law is the broad term for laws that govern how banks and other financial institutions conduct business. Banks must comply with a myriad of federal, state and even local regulations. Lawyers perform a wide variety of functions that relate to creating, following and enforcing regulations.

Multiple federal agencies oversee banking regulations. A bank or other financial institution might fall under regulations of the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve System or the Office of the Comptroller of the Currency (OCC). Banks must know what federal and state regulations they must comply with.

## **Procedure and effect of amalgamation of banking companies-**

(1) Notwithstanding anything contained in any law for the time being in force, no banking company shall be amalgamated with another banking company, unless a scheme containing the terms of such amalgamation has been placed in draft before the shareholders of each of the banking companies concerned separately, and approved by the resolution passed by a majority in number representing two-thirds in value of the shareholders of each of the said companies, present either in person or by proxy at a meeting called for the purpose.

(2) Notice of every such meeting as is referred to in sub-section

(1) shall be given to every shareholder of each of the banking companies concerned in accordance with the relevant articles of association, indicating the time, place and object of the meeting, and shall also be published at least once a week for three consecutive weeks in not less than two newspapers which circulate in the locality or localities where the registered offices of the banking companies concerned are situated, one of such newspapers being in a language commonly understood in the locality or localities.

(3) Any shareholder, who has voted against the scheme of amalgamation at the meeting or has given notice in writing at or prior to the meeting to the company concerned or to the presiding officer of the meeting that he dissents from the scheme of amalgamation, shall be entitled, in the event of the scheme being sanctioned by the Reserve Bank, to claim from the banking company concerned, in respect of the shares held by him in that company, their value as determined by the Reserve Bank when sanctioning the scheme and such determination by the Reserve Bank as to the value of the shares to be paid to the dissenting shareholders shall be final for all purposes.

(4) If the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of this section, it shall be submitted to the Reserve Bank for sanction and shall, if sanctioned by the Reserve Bank by an order in writing passed in this behalf, be binding on the banking companies concerned and also on all the shareholders thereof.

(5) On the sanctioning of a scheme of amalgamation by the Reserve Bank, the property of the amalgamated banking company shall, by virtue of the order of sanction, be transferred to and vest in, and the liabilities of the said company shall, by virtue of the said order be transferred to, and become the liabilities of the banking company, subject in all cases to 215[the provisions of the scheme as sanctioned].]

216[(5A) Where a scheme of amalgamation is sanctioned by the Reserve Bank under the provisions of this section, the Reserve Bank may, by a further order in writing, direct that on such date as may be specified therein the banking company (hereinafter in this section referred to as the amalgamated banking company) which by reason of the amalgamation will cease to function, shall stand dissolved and any such direction shall take effect notwithstanding anything to the contrary contained in any other law.

(5B) Where the Reserve Bank directs a dissolution of the amalgamated banking company, it shall transmit a copy of the order directing such dissolution to the Registrar before whom the banking company has been registered and on receipt of such order the Registrar shall strike off the name of the company.

(5C) An order under sub-section

(4) whether made before or after the commencement of section 19 of the Banking Laws (Miscellaneous Provisions) Act, 1963 (55 of 1963) shall be conclusive evidence that all the requirements of this section relating to amalgamation have been complied with, and a copy of the said order certified in writing by an officer of the Reserve Bank to be true copy of such order and a copy of the scheme certified in the like manner to be a true copy thereof shall, in all legal proceedings (whether in appeal or otherwise and whether instituted before or after the

commencement of the said section 19), be admitted as evidence to the same extent as the original order and the original scheme.]

217[(6) Nothing in the foregoing provisions of this section shall affect the power of the Central Government to provide of the amalgamation of two or more banking companies 218[\* \* \*1 under section 396 of the Companies Act, 1956 (1 of 1956):

**PROVIDED** that no such power shall be exercised by the Central Government except after consultation with the Reserve Bank.]

219[220[44B.] Restriction on compromise or arrangement between banking company and creditors

221[(1)] Notwithstanding anything contained in any law for the time being in force, no 203[High Court] shall sanction a compromise or arrangement between a banking company and its creditors or any class of them or between such company and its members or any class of them 222[or sanction any modification in any such compromise or arrangement unless the compromise or arrangement or modification, as the case may be,] is certified by the Reserve Bank 223[in writing as not being incapable of being worked and as not being detrimental to the interests of the depositors of such banking company].]

224[(2) Where an application under 225[section 391 of the Companies Act, 1956 (1 of 1956) is made in respect of a banking company, the High Court may direct the Reserve Bank to make an inquiry in relation to the affairs of the banking company and the conduct of its Directors and when such direction is given, the Reserve Bank shall make such inquiry and submit its report to the High Court.]

**The End**