

**Draft 'The Lakshmi Vilas Bank Ltd.
(Amalgamation with DBS Bank India Limited) Scheme, 2020'**

Preamble:

Whereas The Lakshmi Vilas Bank Ltd. is a banking company registered under the Companies Act, 1956 and carrying on the business of banking in India;

And whereas the rapidly deteriorating financial position of The Lakshmi Vilas Bank Ltd. relating to liquidity, capital and other critical parameters, and the absence of any credible plan for infusion of capital has necessitated Reserve Bank of India to take immediate action in public interest and particularly in the interest of the depositors and accordingly, The Lakshmi Vilas Bank Ltd. was placed under moratorium by an order of the Central Government vide [notification number S.O.4127\(E\), dated the November 17, 2020](#) in exercise of the powers conferred by sub-section (2) of section 45 of the Banking Regulation Act, 1949 (10 of 1949);

And whereas, during the period of moratorium or at any other time the Reserve Bank of India may, if so considered necessary in public interest or in the interest of the depositors and also to secure the management of the banking company, prepare a scheme of reconstruction or amalgamation of the concerned banking company.

And whereas, the Reserve Bank of India has come to a conclusion that the present position of The Lakshmi Vilas Bank Ltd. calls for the preparation of a scheme of amalgamation;

Therefore, in exercise of the powers conferred by sub-section (4) of section 45 of the Banking Regulation Act, 1949, the Reserve Bank of India, hereby makes the following scheme:

Chapter - I

Preliminary

1. Short title and commencement:

- (1) This Scheme may be called 'The Lakshmi Vilas Bank Ltd. (Amalgamation with DBS Bank India Ltd. Scheme, 2020'.
- (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. Definitions:

In this Scheme, unless the context otherwise requires -

- (a) "**Act**" means the Banking Regulation Act, 1949 (10 of 1949);
- (b) "**Appointed date**" means the date which the Central Government may specify under sub-paragraph (2) of paragraph 1;
- (c) "**Asset Account**" means a notional account opened pursuant to sub-paragraph (2) of paragraph 5 of the Scheme for the purpose of ascertaining the surplus or shortfall after adjustment from time to time of liabilities of the transferor bank as provided in the Scheme;

- (d) **"Scheme"** means 'The Lakshmi Vilas Bank Ltd., (Amalgamation with DBS Bank) India Limited Scheme, 2020';
- (e) **"Transferor bank"** means 'The Lakshmi Vilas Bank Ltd., a banking company having its Registered Office at Karur, Tamil Nadu';
- (f) **"Transferee bank"** means DBS Bank India Limited, a banking company incorporated in India under Companies Act 2013, and having its Registered Office at New Delhi;
- (g) Words and expressions used herein and not defined but defined in the Act shall have the meaning respectively assigned to them in the Act.

Chapter - II

Transfer of business, properties, assets and liabilities

3. Transfer of assets and liabilities and general effect thereof:

- (1) The undertaking of the transferor bank which is transferred to, and will vest in, the transferee bank on and from the Appointed date shall be deemed to include all business, assets (including tangible and intangible), estates, rights, titles, interest, powers, claims, licenses, authorities, permits, approvals, permissions, incentives, loans, subsidies, concessions, grants, liberties, special status' and other privileges and all property, movable and immovable, real and personal, tangible and intangible, goodwill, copyright, cash balances, capital, reserve funds, investments, transactions in derivatives, and all other rights and interests in, or arising out of, such property and all rights under the intellectual property etc., in possession or reservation, present or contingent of whatever nature and wheresoever situated (whether within or outside India), including lands, commercial or residential premises, fixtures, vehicles, cash balances, deposits, foreign currencies, disclosed and undisclosed reserves, reserve fund, special reserve fund, any other fund, stocks, investments, shares, dividends, bonds, debentures, security, management of any industrial concern, loans, advances and guarantees to any industrial concern, other tenancies, leases and book-debts and all other rights and interests arising out of such property of the transferor bank in relation to the undertakings as were immediately before the commencement of the Scheme, in the ownership, possession, power or control of the transferor bank within or outside India, and all books of accounts, registers, records and all other documents of whatever nature relating thereto and shall also be deemed to include all borrowings, liabilities, duties and obligations of whatever kind within or outside India then subsisting of the transferor bank whether secured or unsecured, along with any charge, encumbrance, lien or security thereon in relation to the undertakings.
- (2) Unless otherwise expressly provided in the scheme, all contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the Appointed date shall be effective to the extent and in the manner hereinafter provided against or in favour of the transferee bank and may be acted upon as if instead of the transferor bank, the transferee bank had been a party thereto or as if they had been issued in favour of the transferee bank thereto and it shall not be

necessary to obtain the consent of any third party or other person who is a party to any of the aforesaid instruments or arrangements to give effect to the provisions of this sub-paragraph.

- (3) If on the Appointed date any cause of actions, suit, decrees, recovery certificates, appeals or other proceedings of whatever nature is pending by or against the transferor bank before any court or tribunal or any other authority (including for the avoidance of doubt, an arbitral tribunal), the same shall not abate, be discontinued or be in any way prejudicially affected, but shall, subject to the other provisions of the Scheme, be prosecuted and enforced by or against the transferee bank.

Provided that where a contravention of any of the provisions of any statute or of any rule, regulation, direction or order made thereunder has been committed by, or any proceeding for a criminal offence has been instituted against, a director or secretary, manager, officer or other employee of the transferor bank before the Appointed date, such director, secretary, manager, officer or other employee shall, without prejudice to the application of section 6 of the General Clauses Act, 1897 (10 of 1897), be liable to be proceeded against under such law and punished accordingly as if the transferor bank, being a banking company had not been dissolved.

- (4) Any security interest created in favour of or for the benefit of the transferor bank whether such security interest be over immovable, movable, tangible or intangible property, and whether by way of mortgage, hypothecation, pledge, lien or any other form or mode of creation of security interest, and all guarantees, letters of comfort, letters of credit or similar instruments in favour of or for the benefit of the transferor bank, shall without any further act, deed, instrument or thing, be transferred to and vested in the transferee bank or be deemed to have been transferred to and vested in the transferee bank, and shall continue to be in full force and effect and may be enforced as fully and effectually as if instead of the transferor bank, the transferee bank had been the beneficiary or a party thereto, and the benefit shall be available to the transferee bank as if such same were ab initio created in favour of the transferee bank and it shall not be necessary to obtain the consent of any person concerned therewith in any capacity whatsoever or of the person who created such security in order to give effect to the provisions of this sub-paragraph.
- (5) In so far as various incentives, subsidies, exemptions, including goods and services tax benefits, income tax holiday or benefit or losses and other benefits or exemptions or privileges enjoyed, or availed of by the transferor bank shall without any further act or deed, in so far as they relate to the transferor bank vest with and be available to the transferee bank on the same terms and conditions as if the same had been allotted or granted or sanctioned or allowed to the transferor bank.
- (6) If according to the laws of any country outside India, the provisions of the Scheme, by themselves, are not effective to transfer or vest any asset or liability situated in that country which forms part of the undertaking of the transferor bank to or in the transferee bank, the affairs of the transferor bank in relation to such asset or liability shall, on the Appointed date, stand entrusted to the Managing Director & Chief Executive Officer for the time being of the transferee bank and the Managing Director & Chief Executive Officer may exercise all powers

and do all such acts and things as would have been exercised or done by the transferor bank for the purpose of effectively transferring such assets and discharging such liabilities. The Managing Director & Chief Executive Officer shall take all such steps as may be required by the laws of any such country outside India for the purpose of effecting such transfer or vesting and in connection therewith, the Managing Director & Chief Executive Officer may, either himself or through any person authorized by him in this behalf, realise any assets or discharge any liability of the transferor bank and transfer the net proceeds thereof to the transferee bank.

4. Closure of books of the transferor bank and preparation of balance sheet:

- (1) The books of the transferor bank shall be closed and balanced and balance sheet prepared in the first instance as at the close of business on November 17, 2020 and thereafter as at the close of business on the date immediately preceding the Appointed date and the balance sheet shall be got audited and certified by a chartered accountant or a firm of chartered accountants approved or nominated by the Reserve Bank of India for the purpose.
- (2) A copy of the balance sheet of the transferor bank prepared in accordance with the provisions of the foregoing paragraph, shall be filed by the transferee bank with the Registrar of Companies as soon as possible after it has been received and thereafter the transferor bank shall not be required to prepare balance sheet or profit and loss accounts, or to lay the same before its members or file copies thereof with the Registrar of Companies or to hold any board meeting or annual general meeting for the purpose of considering the balance sheet and accounts or for any other purpose or to comply with the provisions of the Companies Act, 2013 and it shall not thereafter be necessary for the Board of Directors of the transferor bank to meet for any purpose.

5. Valuation of assets and determination of liabilities:

The transferee bank shall value the assets and reckon the liabilities of the transferor bank in accordance with the following provisions; namely:-

- (1) (a) Investments other than Government Securities shall be valued at the market rates prevailing on the day immediately preceding the Appointed date;
- (b) (i) the Government Securities shall be valued as on the day immediately preceding the Appointed date in accordance with the extant RBI guidelines.
- (ii) The Securities of the Central Government such as Post Office Certificates, Treasury Savings Deposit Certificates and any other securities or certificates issued under the small savings scheme of the Central Government shall be valued at their face value or the encashable value as on the said date, whichever is higher;
- (iii) Where the market value of any Government Security such as the Zamindari Abolition Bonds or other similar security, if any, held by the transferor bank in respect

of which the principal is payable in installments is not ascertainable or is, for any reason, not considered as reflecting the fair value thereof or as otherwise appropriate, the security shall be valued at such amount as is considered reasonable having regard to the installments of principal and interest remaining to be paid, the period during which such installments are payable, the yield of any security issued by the Government to which the security pertains and having the same or approximately the same maturity, and other relevant factors;

- (c) Where the market value of any security, share, debenture, bond or other investment is not considered reasonable by reason of its having been affected by abnormal factors, the investment may be valued on the basis of its average market value over any reasonable period;
 - (d) Where the market value of any security, share, debenture, bond or other investments is not ascertainable, only such value, if any, shall be taken into account as is considered reasonable, having regard to the financial position of the issuing concern, the dividends paid by it during the preceding five years and other relevant factors;
 - (e) Premises and all other immovable properties and any assets acquired in satisfaction of claims shall be valued at their market value;
 - (f) The furniture and fixtures, stationery in stock and other assets, if any, shall be valued at the written down value as per books or the realizable value as may be considered reasonable;
 - (g) Advances, including bills purchased and discounted, book debts, sundry assets, and all other remaining tangible/intangible assets will be scrutinized by the transferee bank and the securities, including guarantees, held as cover therefor examined and verified by the transferee bank. Thereafter the advances, including portions thereof, will be classified into two categories namely, "Advances considered good and readily realizable" and "Advances considered not readily realizable and/or bad or doubtful of recovery".
- (2) The transferee bank shall open on the Appointed date an account styled as "**Asset Account**". The aggregate amount representing the value of the assets determined as readily realisable assets in accordance with this paragraph shall be credited to the "**Asset Account**".
- (3) (i) Where the valuation of any asset cannot be determined on the Appointed date, it may, with the approval of the Reserve Bank of India, be treated partly or wholly as an asset realisable at a later date;
- (ii) In the event of any disagreement as regards the valuation of any asset and/or the classification of any advance and/or the determination of any liability, the matter shall be referred to the Reserve Bank of India, for its opinion, provided that until such an opinion is received, the valuation of the item or portion thereof by the transferee bank shall provisionally be adopted for the purpose of the Scheme;

- (iii) It shall be competent for the Reserve Bank of India, in the event of its becoming necessary to do so, to obtain such technical advice as it may consider to be appropriate in connection with the valuation of any such item of asset or determination of any such item of liability, and the cost of obtaining such advice shall be payable in full out of the assets of the transferor bank.
- (4) Liabilities for purposes of the Scheme shall include all liabilities, including contingent liabilities, which the transferee bank may be required to meet out of its own resources on or after the Appointed date.
- (5) The valuation of the assets and the determination of the liabilities in accordance with the foregoing provisions shall be binding on all concerned, including the members and creditors of both the banks.

Chapter – III

Payment to creditors and depositors

6. Discharge of liability of the transferor bank:

(1) In respect of: -

- (a) any sums deposited by any employee of the transferor bank with that bank as staff security deposits, together with interest, if any, accrued thereon up to the Appointed date shall be paid or provided for in full;
- (b) every savings bank account or current account or any other deposit account including a fixed deposit, cash certificate, monthly deposit, deposit payable at call or short notice or any other deposits by whatever name called with the transferor bank, the transferee bank shall open with itself on the Appointed date a corresponding and similar account in the name of the respective holder(s) thereof crediting thereto full amount including interest to the extent payable under the Scheme:

Provided that where the transferee bank entertains a reasonable doubt about the correctness of the entries made in any particular account, it may with the approval of the Reserve Bank of India withhold the credit to be made in that account for a period not exceeding three months from the Appointed date within which the transferee bank shall ascertain the correct balance in such account.

- (2) In respect of any interest bearing deposit accounts, the transferee bank shall pay interest at the rate applicable in accordance with the prevailing policy of transferor bank till the Appointed date. In respect of balances in any current account or any other non-interest bearing account, no interest shall be payable to the account holder. No account holder shall be entitled to claim any compensation for the non-payment of any deposit or other money from his account during the period from November 17, 2020 till the Appointed date.

- (3) In respect of every other liability of the transferor bank determined under paragraph 5, the transferee bank shall pay to the creditors the amount of such liability as and when they fall due.
- (4) Notwithstanding anything to the contrary contained in any contract, express or implied, interest from the Appointed date shall be paid in respect of the new account opened with the transferee bank and credited in accordance with the provisions of the Scheme only at such rates as the transferee bank normally allows to its own depositors for such accounts.
- (5) The credit balance in the "Asset Account" shall be appropriated to the extent required to meet the liability under this Chapter, if the balance in the Asset Account is not sufficient, so much of the shortfall shall be treated as amount spent by the transferee bank.

Chapter – IV

Rights and liabilities of the members and creditors of the transferor bank

7. Rights and liabilities of the members and creditors of the transferor bank:

- (1) On and from the Appointed date, the entire amount of the paid-up share capital and reserves and surplus, including the balances in the share/securities premium account of the transferor bank, shall stand written off.
- (2) On and from the Appointed date, the transferor bank shall cease to exist by operation of the scheme, and its shares or debentures listed in any stock exchange shall stand delisted without any further action from the transferor bank, transferee bank or order from any authority.

Chapter – V

Rights and obligations of the employees of transferor bank

8. Rights and obligations of the employees of transferor bank

- (1) All the employees of the transferor bank shall continue in service and be deemed to have been Appointed in the transferee bank at the same remuneration and on the same terms and conditions of service, as were applicable to such employees immediately before the close of business on the November 17, 2020.

Provided that the employees of the transferor bank, who have by notice in writing given to the transferor bank or the transferee bank at any time before the expiry of one month next following the Appointed date intimated their intention of not becoming employees of the transferee bank shall be entitled to the payment of such compensation, if any, under the provisions of the Industrial Disputes Act, 1947 (14 of 1947) and such pension, gratuity, provident fund and other retirement benefits as may be ordinarily admissible under the rules or authorizations of the transferor bank as in force immediately before the close of business on November 17, 2020.

Provided further that the transferee bank may, discontinue the services of the Key Managerial Personnel of the transferor bank after following the due procedure at any time, after the Appointed date, as it deems necessary and providing them compensation as per the terms of their employment.

- (2) The transferee bank shall, in respect of the employees of the transferor bank who are deemed to have been Appointed as employees of the transferee bank, be deemed also to have taken over the liability for them of retrenchment compensation in the event of their being retrenched while in the service of the transferee bank on the basis that their service has been continuous and has not been interrupted by their transfer to the transferee bank.
- (3) The transferee bank shall, not later than the expiry of the period of three years from the date on which the scheme is sanctioned, pay or grant to the employees of the transferor bank whose services are continued in the transferee bank under sub-paragraph (1), except such of the employees who cease to be in service under the proviso to sub-paragraph (1), the same remuneration and the same terms and conditions of service as are applicable to the employees of corresponding rank or status of the transferee bank subject to the qualifications and experience of the said employees of the transferor bank being the same as or equivalent to those of such other employees of the transferee bank;
- (4) For the purpose of assessing the equivalence of qualification and experience and suggesting fitment of employees of the transferor bank in an appropriate cadre in the transferee bank, the transferee bank shall, as soon as possible, constitute an expert committee and may take into account its recommendations while framing necessary policy.

Provided that if any doubt or difference arises as to whether the qualifications or experience of any of the said employees are the same as or equivalent to the qualifications and experience of the other employees of corresponding rank or status of the transferee bank or as to the procedure or principles to be adopted for the fixation of pay of the said employees in the scales of pay of the transferee bank, the doubt or difference shall be referred to the Reserve Bank of India whose decision thereon shall be final.

- (5) The trustees or administrators of any provident fund and gratuity fund constituted for the employees of the transferor bank, or as the case may be, the transferor bank, shall on or as soon as possible after the Appointed date transfer to the trustees of the employees' provident fund and gratuity fund constituted for the transferee bank or otherwise as the transferee bank may direct, all the moneys and investments held in trust for the benefit of the employees of the transferor bank.

Provided that such latter trustees shall not be liable for any deficiency in the value of investments, or in respect of any act, neglect or default done before the date of commencement of the Scheme.

Chapter - VI
Miscellaneous

9. Demand by Depositors or Creditors:

No depositor or creditor of the transferor bank shall be entitled to make any demand against the transferor bank or the transferee bank in respect of any liability of the transferor bank to him except to the extent specified by the Scheme.

10. Legal proceedings against Central Government, Reserve Bank of India, Transferee bank or Transferor bank:

No suit or other legal proceedings shall lie against the Central Government, the Reserve Bank of India or the transferee bank or the transferor bank for anything which is in good faith done or intended to be done in pursuance of the Scheme.

11. Reorganisation of branches of transferor bank:

The transferee bank shall have the option of merging branches of transferor bank according to its convenience and may close down or shift the existing branches of the transferor bank, as per the extant instructions issued by the Reserve Bank.

12. Furnishing statements and information:

The transferee bank shall submit to the Reserve Bank of India such statements and information as may be required by the Reserve Bank of India from time to time regarding the implementation of the Scheme.

13. Manner of service of notice:

Any notice or other communication required to be given by the transferee bank shall be considered to be duly given if addressed and sent by speed post or by courier or by pre-paid ordinary post or by e-mail or otherwise to the addressee at the address registered in the books of the transferor bank, until a new address is registered in the books of the transferee bank. Any notice or communication, which is of general interest shall be advertised, in addition, in one or more daily newspapers, which may be in circulation at the places where the registered office of transferor bank is situated.

14. Interpretation of the provisions of the Scheme:

If any doubt arises in the interpretation of the provisions of this Scheme, the matter shall be referred to the Reserve Bank and its views on the issue shall be final and binding on all concerned.

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Joint Secretary to the Government of India