

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:358

ANSWERED ON:03.12.2010

FOREIGN HOLDINGS IN BANKS

Bapurao Shri Khatgaonkar Patil Bhaskarrao;Gaikwad Shri Eknath Mahadeo

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government/Reserve Bank of India (RBI) has reduced the cap on foreign holdings in banks from 74 per cent to 50 per cent;
- (b) if so, the details thereof and the reasons therefor alongwith its effects on the setting up of domestic banking entities; and
- (c) the other steps taken/being taken by the Government/RBI In this direction?

Answer

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (c): A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO.358 FOR 3rd DECEMBER, 2010 REGARDING FOREIGN HOLDINGS IN BANKS TABLED BY SHRI EKNATH M. GAIKWAD AND SHRI B.B. PATIL

(a) to (c): In terms of the Government of India press note dated 5 March, 2004, the aggregate foreign investment in private sector banks from all sources [Foreign Direct Investment (FDI), Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs)] cannot exceed 74% of the bank's paid up capital. The cap on foreign holdings in private sector banks has not been reduced from 74 per cent to 50%.

In the Budget Speech for the year 2010-11, it has been mentioned that RBI would be considering some additional licenses to private sector players. Accordingly, RBI has prepared and placed a discussion paper on entry of new banks in private sector on its website inviting comments / feedback on certain aspects from the stake holders and public. In para 8.1.7 of the Discussion Paper, one of the suggestions for public comments is that since the objective is to create strong domestic banking entities and a diversified banking sector which includes public sector banks, domestically owned private sector banks and foreign owned banks, aggregate non-resident investment including FDI, NRI in these banks could be capped at a suitable level below 50 per cent and locked at that level for the initial 10 years. Suggestions/ comments received from the public are under examination and no final decision has been taken so far.