

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1451  
ANSWERED ON:04.03.2011  
FOREIGN BANKS IN INDIA QUESTION  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether foreign banks have opened their branches after obtaining requisite approvals / permissions in the country during the last three years and the current financial year;
- (b) if so, the details thereof, State-wise and bank-wise;
- (c) whether the Government / RBI has suggested to foreign banks to operate through subsidiary route;
- (d) if so, the details thereof alongwith the response received by the Government / RBI in this regard;and
- (e) the other steps taken / being taken by the Government / RBI in this direction?

**Answer**

MINISTER OF THE STATE IN MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): The details of approvals given by Reserve Bank of India to foreign banks for opening maiden branches / expansions in India during the year 2008, 2009 and 2010 is at Annex.

(c) to (e): Reserve Bank of India on January 21, 2011 had released a `discussion paper on the form of presence of foreign banks` seeking views/comments of banks, non-banking financial institutions, all stakeholders and the public at large. Some of the points in the discussion paper are:

# Post crisis lessons support domestic incorporation of foreign banks i.e. subsidiarisation.

# Policy on presence of foreign banks in India would be guided by two cardinal principles of (i) Reciprocity and (ii) Single Mode of Presence.

# Main advantages of local incorporation are:

# Ring fenced capital within the host country

# Easier identification and application of laws

# Better corporate governance, local board of directors

# Effective control in a banking crisis

# Down side risk from subsidiaries may arise in the event of domination by Wholly Owned subsidiaries (WOS) in domestic financial system.

# Conversion of existing foreign bank branches into WOS would be subject to India`s commitments to World Trade Organisation (WTO).

# In line with best international practices on corporate governance, WOS of foreign banks in India -

(i) not less than 50 percent of the directors should be Indian nationals resident in India,

(ii) not less than 50 percent of the directors should be non-executive directors,

(iii) a minimum of one-third of the directors should be totally independent of the management of the subsidiary in India, its parent or associates and

(iv) the directors shall conform to the `Fit and Proper` criteria as laid down in our extant guidelines.

RBI has indicated that the guidelines for presence of foreign banks will be finalized after receipt of inputs/ suggestions from the stakeholders and public.