

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:335
ANSWERED ON:23.11.2012
FOREIGN NATIONAL TO OPEN BANKS IN INDIA
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has received proposals from foreign nationals to open banks in our country;
- (b) if so, the details thereof;
- (c) whether any criteria/norms have been fixed for opening of banks in the country by foreign nationals;
- (d) if so, the details thereof; and
- (e) the steps taken / proposed to be taken by the Government to prevent money laundering / terror financing and other unethical practices through the branches of such foreign banks functioning / likely to function in the county?

Answer

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

- (a) to (d): As per the "Draft Guidelines for Licencing of New Banks in Private Sector" issued by the Reserve Bank of India (RBI) on 29.08.2011, only entities / groups in the private sector that are owned and controlled by residents shall be eligible to promote banks.
- (e): RBI has formulated the Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) guidelines to be followed by banks, so as to prevent banks from being used, intentionally or unintentionally, by criminal elements for money-laundering or terrorist financing activities. KYC procedures also enables banks to know / understand their customers and their financial dealings better, which in-turn help them manage their risk prudently. Accordingly, all banks, including foreign banks, functioning in India have been advised to follow certain customer identification procedures for opening of accounts and monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority, i.e. Financial Intelligence Unit-India (FIU-IND). The banks are also required to ensure that a proper Board approved policy framework on KYC / AML / CFT is formulated and implemented by them in accordance with the extant legal and regulatory frame-work..