

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:167

ANSWERED ON:22.02.2013

NEW BANK LICENCES

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has finalised the guidelines on new bank licences;
- (b) if so, the details thereof and if not, the reasons therefor including the time by which these guidelines are likely to be finalised;
- (c) whether the International Monetary Fund (IMF) has given any suggestion to the Government in this regard; and
- (d) if so, the details thereof along with the reaction of the Government thereto?

Answer

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

(a) & (b): The Reserve Bank of India (RBI) is in the process of finalizing the guidelines for licencing of new banks.

(c) & (d): The Government has not received any such suggestion from the International Monetary Fund (IMF). However, in its report on "India: Financial System Stability Assessment Update" of January, 2013 IMF has, in the context of the current bank licensing policy of RBI, indicated that the international experience supported the prudent policy position of disallowing industrial houses from promoting and owning banks. The policy of RBI aims to address the concerns of "under the radar" risk transfer, concentration risk, across the group contagion risk, etc.; through appropriate prudential means. The IMF Report lists out such prudential measures as setting-up of a non-operative financial holding company (NOFHC) to hold all the financial sector entities in the group and to be supervised by RBI as a Non-Banking Financial Company (NBFC); requirement of 50 percent of directors (increased to a majority in some cases) to be independent of the promoter; and the bank, group entities, non-operative holding company, and the promoter being subject to RBI's consolidated supervision, etc.