

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:156

ANSWERED ON:16.08.2013

NEW BANK LICENCES

Rajukhedi Shri Gajendra Singh;Singh Shri Bhola

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has finalised the guidelines for licencing of new banks including foreign banks in the country;
- (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 RBI has invited applications for grant of new bank licenses including foreign banks in the recent past;
- (d) if so, the details thereof along with the number of applications received by the RBI for starting new banks in the country including from corporate houses and their present status thereof;
- (e) the time by which all these applications are likely to be cleared by the Government / RBI; and
- (f) the manner in which RBI proposes to ensure that the banks in the private sector including foreign banks fulfil the prescribed social obligations?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (f): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (f) OF LOK SABHA STARRED QUESTION NO. 156 FOR 16TH AUGUST, 2013 TABLED BY DR. BHOLA SINGH AND SHRI GAJENDER SINGH RAJUKHEDI REGARDING NEW BANK LICENCES.

(a) and (b): The Reserve Bank of India (RBI) has issued "Guidelines for Licences of New Banks in the Private Sector" on 22.02.2013. Key features of the guidelines include eligible promoters; 'fit and proper' criteria; corporate structure of the Non-Operative Financial Holding Company (NOFHC); minimum voting equity capital requirements for bank and shareholding by NOFHC; regulatory framework; foreign shareholding in the bank; corporate governance of NOFHC; prudential norms for the NOFHC; exposure norms; business plan for the bank; other conditions for the bank and additional conditions for NBFCs promoting / converting into a bank. The detailed guidelines are available on the RBI website at www.rbi.org.in.

Currently, permission for opening of branches by foreign banks in India is guided by India's Commitment to World Trade Organisation of 12 branches in a year. At present, foreign banks operate in India as branches of their parent banks.

(c) and (d): The last date for submitting the applications for grant of new bank license was 01.07.2013. In all, RBI has received 26 applications. RBI has not invited any application from any foreign bank in the recent past. The names of the applicants are as under:

1. Aditya Birla Nuvo Limited, Mumbai.
2. Bajaj Finserv Limited, Pune.
3. Bandhan Financial Services Private Limited, Kolkata.
4. Department of Posts, New Delhi.
5. Edelweiss Financial Services Limited, Mumbai.
6. IDFC Limited, Mumbai.
7. IFCI Limited, New Delhi.
8. Indiabulls Housing Finance Limited, New Delhi.
9. India Infoline Limited, Mumbai.
10. INMACS Management Services Limited, Gurgaon.
11. Janalakshmi Financial Services Private Limited, Bangalore.
12. J M Financial Limited, Mumbai.
13. LIC Housing Finance Limited, Mumbai.
14. L & T Finance Holdings Limited, Mumbai.
15. Magma Fincorp Limited, Kolkata.
16. Muthoot Finance Limited, Kochi.
17. Reliance Capital Limited, Mumbai.
18. Religare Enterprises Limited, New Delhi.

19. Shriram Capital Limited, Chennai.
20. Smart Global Ventures Private Limited, Noida.
21. SREI Infrastructure Finance Limited, Kolkata.
22. Suryamani Financing Company Limited, Kolkata.
23. TATA Sons Limited, Mumbai.
24. Tourism Finance Corporation of India Limited, New Delhi.
25. UAE Exchange & Financial Services Limited, Kochi.
26. Value Industries Limited, Aurangabad.

(e): At the first stage, the applications will be screened by RBI to ensure prima facie eligibility of the applicants, including the assessment of 'fit and proper' status of applicants. Thereafter, the applications will be referred to a High Level Advisory Committee to be set up by RBI. In view of the processes involved, it is expected that 'in-principle' approvals for new banks by the first quarter of 2014.

(f): To achieve the objective of financial inclusion, the new bank guidelines stipulate that the banks will be required to open at least 25 per cent of their branches in unbanked rural centres (population up to 9,999 as per 2001 census) to avoid over concentration of their branches in metropolitan areas and cities which are already having adequate banking presence.

The guidelines also stipulate that the new banks shall comply with the priority sector lending targets and sub-targets as applicable to the existing domestic banks. For this purpose, the bank should build its priority sector lending portfolio from the commencement of its operations.