

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4563  
ANSWERED ON:21.02.2014  
EXPANSION OF FOREIGN BANKS IN THE COUNTRY  
M.Thambidurai Dr.

**Will the Minister of FINANCE be pleased to state:**

- (a) the number of foreign banks operating in the country, bank and State/ UT-wise;
- (b) the details of criteria/guidelines fixed for opening new foreign banks and branches of existing banks in the country;
- (c) whether the Government/Reserve Bank of India (RBI) proposes to relax the laid down norms to facilitate opening of more foreign banks in the country; and
- (d) if so, the details thereof?

**Answer**

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

(a): The State / Union Territories-wise details of foreign bank branches operating in the country as on 17.02.2014 is at Annex.

(b) to (d): Under the aegis of the World Trade Organization (WTO), India is committed to allow foreign banks to open 12 branches in a year. Reserve Bank of India (RBI) may, however, go beyond the WTO commitments of 12 branch licenses, if the foreign banks open offices in unbanked / under-banked areas. While considering applications for opening of branches by the foreign banks, RBI also considers the nature and scope of banking facilities provided by these banks to common persons particularly in under-banked areas; actual credit flow to the priority sector; pricing of products and overall efforts for promoting financial inclusion including introduction of appropriate new products; the enhanced use of technology for delivery of banking services; etc.

RBI has released the framework for setting up of Wholly Owned Subsidiaries (WOS) by Foreign Banks in India on 06.11.2013. The policy on the subject is guided by the two cardinal principles of (i) reciprocity and (ii) single mode of presence. As a locally incorporated bank, the WOS will be given near national treatment which will enable them to open branches anywhere in the country at par with Indian banks (except in certain sensitive areas where the Reserve Bank's prior approval would be required). These banks would also be able to participate fully in the development of the Indian financial sector. The policy incentivises the existing foreign bank branches which operate within the framework of India's commitment to the World Trade Organisation (WTO) to convert into WOS due to the attractiveness of near national treatment. Such conversion is also desirable from the financial stability perspective.

To provide safeguards against the possibility of the Indian banking system being dominated by foreign banks, the framework has certain measures to contain their expansion if the share of foreign banks exceeds a critical size. Certain measures from corporate governance perspective have also been built in so as to ensure that the public interest is safeguarded.