

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4450
ANSWERED ON:08.08.2014
SETTING UP OF NOFHC
Mohan Shri P. C.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has given approval for setting up of the Non- operative Financial Holding Companies (NOFHC);
- (b) if so, the details thereof along with the percentage stipulated for public holding in NOFHC;
- (c) whether Non Banking Financial Companies (NBFCs) will be allowed to convert their presence in Tier-II to Tier-VI cities into bank branches; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) and (b): In terms of Reserve Bank of India (RBI) Guidelines on Licensing of New Banks in the Private Sector issued on February 22, 2013, Promoter/ Promoter Group will be permitted to set up a bank only through a wholly-owned Non-Operating Financial Holding Company (NOFHC). There would not be any public holding in the NOFHC.

The capital structure of the wholly-owned NOFHC set up by Promoter/ Promoter Groups in private sector shall consist of:

(i) Voting equity shares not exceeding 10 per cent of the total voting equity shares of the NOFHC held by any individual belonging to the Promoter Group along with his relatives (as defined in Section 6 of the Companies Act, 1956) and along with entities in which he and/or his relatives hold not less than 50 per cent of the voting equity shares, and

(ii) Companies forming part of the Promoter Group whereof companies in which the public hold not less than 51 per cent of the voting equity shares shall hold not less than 51 per cent of the total voting equity shares of the NOFHC.

RBI has given 'in principal' approvals to two new applicants viz., Infrastructure Development Finance Corporation (IDFC) and Bandhan Financial Services Private Limited vide its press release dated April 2, 2014 to set up banks under the Guidelines on Licensing of New Banks in the Private Sector issued on February 22, 2013, who would be setting up the NOFHC in compliance with the Guidelines.

(c) and (d): Under the Guidelines the Promoters / Promoter Group with an existing Non-Banking Financial Company (NBFC), if considered eligible for a bank license, will have three options. Under these three options, the Promoters will have to set up a NOFHC. The NOFHC and the bank set-up under it should comply with all the requirements laid down in the Guidelines. RBI will consider allowing the bank to takeover and convert the existing NBFC branches into bank branches only in the Tier 2 to 6 centres. Existing branches of the NBFC in Tier 1 centres may be allowed to convert into bank branches only with the prior approval of RBI and subject to the existing rules/ methodology applicable to the domestic banks regarding opening of branches in these centres and also subject to maintaining 25 per cent of the bank branches in unbanked rural centres (population up to 9,999 as per the latest census).