

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:362  
ANSWERED ON:11.07.2014  
NEW BANKS IN PRIVATE SECTOR  
Ahir Shri Hansraj Gangaram

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

- (a) whether the Bimal Jalan Committee constituted for sanctioning/issuing licences for new banks in the country including foreign banks has submitted its report to the Government / Reserve Bank of India (RBI);
- (b) if so, the details thereof including the main recommendations made by the Committee and follow-up action taken by the Government/RBI thereon;
- (c) if not, the time by which it is likely to submit its report to the Government/RBI;
- (d) whether the Government has formulated any policy for allowing foreign banks to function in the country on large scale;
- (e) if so, whether this issue has been discussed with the stakeholders before giving such permission to foreign banks; and
- (f) if so, the details thereof?

**Answer**

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

(a) : A High Level Advisory Committee (HLAC) was set up by Reserve Bank of India (RBI) on October 30, 2013 under the Chairmanship of Dr. Bimal Jalan to screen the applications for grant of bank license under the RBI guidelines issued on February 22, 2013 for Licensing of New Banks in the Private Sector and to recommend licences to only those applicants who comply with the guidelines. Bimal Jalan Committee has submitted its report to RBI.

(b) : RBI, vide its Press release dated April 2, 2014, has granted "in-principle" approval to two applicants, viz., IDFC Limited and Bandhan Financial Service Private Limited, to set up banks under the Guidelines for Licensing of New Banks in the Private Sector issued on February 22, 2013. These two applicants were also recommended as suitable for grant of "in-principle" approval by HLAC. HLAC had also recommended that in the case of Department of Posts which has applied for license, it would be desirable for the RBI to consider the application separately in consultation with the Government of India. The RBI has accepted the recommendation of HLAC.

(c) : In view of reply to (a) and (b) above, does not arise.

(d) to (f) : RBI released a Discussion Paper on the mode of presence of foreign banks in India on January 21, 2011. The 'Scheme for setting up of Wholly Owned Subsidiaries by foreign banks in India' was released on November 06, 2013 after taking into account the feedback received on the Discussion Paper from various stakeholders and factoring in the lessons from the crisis which favours a subsidiary mode of presence from financial stability perspective.