



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI releases Guidelines for Licensing of New Banks in the Private Sector

The Reserve Bank of India today released on its website, the Guidelines for "[Licensing of New Banks in the Private Sector](#)".

Key features of the guidelines are:

- (i) **Eligible Promoters:** Entities / groups in the private sector, entities in public sector and Non-Banking Financial Companies (NBFCs) shall be eligible to set up a bank through a wholly-owned Non-Operative Financial Holding Company (NOFHC).
- (ii) **'Fit and Proper' criteria:** Entities / groups should have a past record of sound credentials and integrity, be financially sound with a successful track record of 10 years. For this purpose, RBI may seek feedback from other regulators and enforcement and investigative agencies.
- (iii) **Corporate structure of the NOFHC:** The NOFHC shall be wholly owned by the Promoter / Promoter Group. The NOFHC shall hold the bank as well as all the other financial services entities of the group.
- (iv) **Minimum voting equity capital requirements for banks and shareholding by NOFHC:** The initial minimum paid-up voting equity capital for a bank shall be ₹5 billion. The NOFHC shall initially hold a minimum of 40 per cent of the paid-up voting equity capital of the bank which shall be locked in for a period of five years and which shall be brought down to 15 per cent within 12 years. The bank shall get its shares listed on the stock exchanges within three years of the commencement of business by the bank.
- (v) **Regulatory framework:** The bank will be governed by the provisions of the relevant Acts, relevant Statutes and the Directives, Prudential regulations and other Guidelines/Instructions issued by RBI and other regulators. The NOFHC shall be registered as a non-banking finance company (NBFC) with the RBI and will be governed by a separate set of directions issued by RBI.
- (vi) **Foreign shareholding in the bank:** The aggregate non-resident shareholding in the new bank shall not exceed 49% for the first 5 years after which it will be as per the extant policy.

- (vii) **Corporate governance of NOFHC:** At least 50% of the Directors of the NOFHC should be independent directors. The corporate structure should not impede effective supervision of the bank and the NOFHC on a consolidated basis by RBI.
- (viii) **Prudential norms for the NOFHC:** The prudential norms will be applied to NOFHC both on stand-alone as well as on a consolidated basis and the norms would be on similar lines as that of the bank.
- (ix) **Exposure norms:** The NOFHC and the bank shall not have any exposure to the Promoter Group. The bank shall not invest in the equity / debt capital instruments of any financial entities held by the NOFHC.
- (x) **Business Plan for the bank:** The business plan should be realistic and viable and should address how the bank proposes to achieve financial inclusion.
- (xi) **Other conditions for the bank :**
- The Board of the bank should have a majority of independent Directors.
 - The bank shall open at least 25 per cent of its branches in unbanked rural centres (population upto 9,999 as per the latest census)
 - The bank shall comply with the priority sector lending targets and sub-targets as applicable to the existing domestic banks.
 - Banks promoted by groups having 40 per cent or more assets/income from non-financial business will require RBI's prior approval for raising paid-up voting equity capital beyond ₹10 billion for every block of ₹5 billion.
 - Any non-compliance of terms and conditions will attract penal measures including cancellation of licence of the bank.
- (xii) **Additional conditions for NBFCs promoting / converting into a bank :**
Existing NBFCs, if considered eligible, may be permitted to promote a new bank or convert themselves into banks.

Procedure for application:

In terms of Rule 11 of the Banking Regulation (Companies) Rules, 1949, applications shall be submitted in the prescribed form (Form III). The eligible promoters can send their applications for setting up of new banks along with other details mentioned in Annex II to the Guidelines to the Chief General Manager-in-Charge, Department of Banking Operations and Development, Reserve Bank of India, Central Office, 12th Floor, Central Office Building, Mumbai – 400 001 **on or before July 1, 2013.**

Procedure for RBI decisions:

- At the first stage, the applications will be screened by the Reserve Bank. Thereafter, the applications will be referred to a High Level Advisory Committee, the constitution of which will be announced shortly.

- The Committee will submit its recommendations to the Reserve Bank. The decision to issue an in-principle approval for setting up of a bank will be taken by the Reserve Bank.
- The validity of the in-principle approval issued by the Reserve Bank will be one year.
- In order to ensure transparency, the names of the applicants will be placed on the Reserve Bank website after the last date of receipt of applications.

Background

It may be recalled that after the announcement made by the Hon'ble Finance Minister in his Budget Speech for the year 2010-11, the Reserve Bank had put out a Discussion Paper on its website on August 11, 2010 inviting feedback and comments. Thereafter, the draft guidelines on the licensing of new banks were released on the Reserve Bank website on August 29, 2011 inviting views and comments. Comments and suggestions received on the draft guidelines were examined and some of the suggestions were accepted. After the vital amendments to the Banking Regulation Act, 1949 were carried out in December 2012 and after consulting with the Government of India, the guidelines for "Licensing of New Banks in the Private Sector" have now been finalised.

Press Release : 2012-2013/1421

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Related Press Releases	
July 10, 2012	RBI releases the gist of comments on the Draft Guidelines for Licensing of New Banks
August 29, 2011	RBI releases Draft Guidelines for Licensing of New Banks in the Private Sector
December 23, 2010	RBI Releases Gist of Comments on the Discussion Paper on Entry of New Banks in the Private Sector
August 20, 2010	RBI invites Stakeholders for Discussions on the Paper on "Entry of New Banks in the Private Sector"
August 11, 2010	RBI releases Discussion Paper on Entry of New Banks in the Private Sector
January 3, 2001	Guidelines on entry of new banks in the private sector
January 22, 1993	Guidelines on Entry of New Private Sector Banks