

Operating norms for Small Finance Banks, Payments Banks this week

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Reserve Bank today said it has finalised the operating guidelines for Small Finance Banks (SFBs) and Payments Banks and will release them this week, a move which will help the applicants begin operations.

“Draft operating guidelines were discussed with the applicants who had received in-principle approval. Based on their comments, operating guidelines have been finalised and will be issued during this week,” the central bank said in its fourth bi-monthly monetary policy review.

Draft operating guidelines were issued for SFBs and Payment Banks after in-principle approvals were granted to 11 applicants to set up payments banks (PBs) and 10 applicants to set up SFBs in the private sector in August 2015 and September 2015, respectively.

Banking licences were granted to three entities to commence small finance bank business, and to one entity to begin payments bank business. Two of the three small finance banks have commenced operations, it said.

However, three entities — Tech Mahindra, Cholamandalam Investment and Finance Company and a consortium of Dilip Shanghvi, IDFC Bank and Telenor Financial Services — have decided to back out of the Payments Bank licencing.

Payments banks allow mobile firms, supermarket chains, and others to cater to individuals and small businesses. The Payments Bank will be set up as a differentiated bank and shall confine its activities to acceptance of demand deposits, remittance services, Internet banking and other specified services.

Payments Banks will initially be restricted to holding a maximum balance of Rs 1 lakh per individual customer. They will be allowed to issue ATM/debit cards as also other prepaid payment instruments, but not the credit cards.

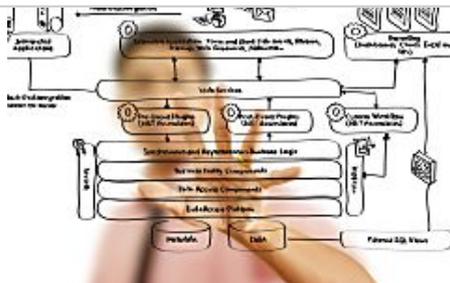
The SFBs can provide basic banking services like accepting deposits and lending to the unbanked sections such as small farmers, micro business enterprises, micro and small industries and unorganised sector entities.



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