

RBI nod must for investors picking up more than 5% stake in a private bank

Our Bureau

The shareholders having 5 per cent or more of the paid-up share capital of a bank would have to give an annual declaration on their 'fit and proper' status

Mumbai, November 19:

In a bid to have greater scrutiny over banking ownership, the Reserve Bank of India on Thursday said that new investors who buy over 5 per cent shares or convertible debt of a private sector bank will have to get the central bank's approval.

Existing promoters will also have to take the RBI's approval if they intend to increase their holding to beyond 10 per cent in the bank.

The RBI also said that all shareholders having 5 per cent or more of the paid-up share capital of a bank would have to give an annual declaration on their 'fit and proper' status.

The major shareholders will have to furnish an annual declaration within one month of the close of financial year. If in the bank's assessment any major shareholder is not 'fit and proper', it will have to immediately furnish the requisite information to the Reserve Bank.

"Every person intending to have a major shareholding in any private sector bank would be required to apply to the Reserve Bank of India along with his declaration in the prescribed format. In deciding whether or not to grant approval, the Reserve Bank would undertake due diligence on the applicant to assess his "fit and proper" status," the RBI said in a statement.

Source of funds

An existing major shareholder, who already has the approval of the Reserve Bank to have a major shareholding in a bank, will not be required to obtain prior approval for fresh incremental acquisition of shares if the proposed aggregate holding is up to 10 per cent.

However, the major shareholder will have to furnish the details of the source of funds for such incremental acquisition and obtain 'no objection' from the concerned bank.

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