THE HINDU BusinessLine

RBI unveils norms for ‘on tap’ bank licences

Our Bureau

Mumbai, May 5:

As part of its plan to put universal bank licences ‘on tap’, the Reserve Bank of India unveiled draft guidelines on Thursday that could encourage big non-banking financial players such as Bajaj Finserv Ltd, L&T Finance Holdings, Reliance Capital and Shriram Capital to throw their hats in the banking ring.

These players had applied for a bank licence but did not make the cut in the last round when the RBI issued fresh permits to two companies.

The central bank has been opening the bank licence window only periodically. Under the ‘on tap’ mechanism, however, an application can be made at any time subject to certain conditions.

According to the draft RBI guidelines, non-banking finance companies and resident individuals or professionals with 10 years of experience in banking and finance will be eligible to apply.

Also eligible are private sector entities and groups owned and controlled by residents, provided they have total assets worth at least Rs. 5,000 crore, with the non-financial group business not accounting for more than 40 per cent of the total assets or the gross income.

Individuals and companies directly or indirectly connected with large industrial houses may also take equity in a new private bank but only up to 10 per cent. Such shareholders will not get any representation on the board.

Capital

The initial minimum paid-up voting equity capital for a bank has been left unchanged at Rs. 500 crore. But the bank has to have a minimum net worth of Rs. 500 crore at all times. The promoters need to hold a minimum 40 per cent of the paid-up voting equity capital, which will be locked-in for five years from the date of commencement of business. The RBI has allowed banks to get their shares listed within six years (three years earlier) of commencement of business.

In the case of an NBFC applying for a licence, if the entity has diluted the promoter shareholding to below 40 per cent but above 26 per cent, the RBI may not insist on the promoters’ minimum initial contribution. However, the lock-in period of five years will apply to the 26 per cent promoter shareholding.

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