

ANNEX III

Select Country Practices on licensing of new banks in the private sector – Table II

Country	Criteria for granting licenses		Limiting asset size	Publication	License Fees	Can corporates own banks?
	Governance	Business Plan				
Germany	<p>At least 2 senior managers (executive directors) who are Fit & Proper persons with sufficient theoretical knowledge, practical experience and reliability.</p> <p>Applicant should declare any holders of significant participating interest in the proposed institution and the size of any such interest. Such persons must also be proper persons.</p>	<p>3-year viable business plan indicating the nature of proposed business, organisational structure, planned internal monitoring procedures and proposed internal control systems, projected balance sheets and profit & loss accounts.</p>			<p>Minimum license fee is 2000 euro. However, the amount actually charged depends on the individual processing time required and on the scale of business of the enterprise concerned.</p>	Yes
Australia	<p>Applicants to show that persons who hold key positions within the ADI, and all substantial shareholders are 'Fit & Proper' in accordance with Prudential Standard APS 520 Fit and Proper criteria.</p>	<ul style="list-style-type: none"> - 3-year business plan incorporating its goals, business structure, financial projections of balance sheets, cash flow and earnings, key financial and prudential ratios for the proposed ADI and its subsidiaries on a consolidated basis. - Adequate and appropriate risk management and internal control systems, compliance processes and systems, 		<p>Authorisations are published on APRA's website and in the Government Gazette.</p>		<p>Yes, ADIs can be owned by industrial companies provided the ultimate holding company of the group is a banking company (authorized NOHC) subject to the provisions in the Banking Act. The ADIs can also own substantial interest in non-financial</p>

		information and accounting systems, and external and internal audit arrangements				companies. An industrial company which is a dominant company in a group including an ADI, can only be a sister company of the ADI (and not its holding company) or a subsidiary of ADI.
Canada	<ul style="list-style-type: none"> - submit details on current organization chart with names and details of persons owning > 10% of any class of shares or ownership interest in the applicant - entities in which applicant owns 10% or more of voting rights - summary of financial and other activities carried on by the applicant and its affiliates - personal information from all individuals which demonstrate that they have access to financial resources to provide continuous financial support to FRFI - each individual to provide details of any regulatory actions, criminal convictions or breaches of statutory or other administrative/regulatory enactments against him - description of risk management and control processes and policies for FRFI - overview of investment and lending policies and standards and procedures adopted in respect of funding, liquidity risk management, capital management policy <p>Based on two-fold approach: range of characteristics (judgment capacity,</p>	<ul style="list-style-type: none"> - 3-year business plan indicating the reasons for establishing FRFI, analysis of target markets, opportunities and competitors - overview of each line of business and product and services to be offered - initial base financial statement and balance sheet & income statement for first three years and contingency plans resulting from variations associated with key assumptions in worst case scenarios - address the risks that information technology could pose upon the customers, employees, vendors, etc. 	On Superintendent's opinion, the Minister may stipulate the bank not to exceed its average total assets as on the last day of the month immediately before the month specified in the order.			Yes. Any entity or person is eligible to own a FRFI provided they satisfy the statutory criteria.

	initiative, responsiveness and operational excellence of the board and its members) and institution's performance or effectiveness in carrying out its governance responsibilities.					
Hong Kong	<ul style="list-style-type: none"> - Each person who is, or is to be, a director, controller, chief executive or executive officer or manager is a 'fit and proper' person. - Maintain adequate liquidity (minimum liquidity ratio of not less than 25% during each month), comply with control systems, adequate provision for depreciation and losses, adequate accounting and control systems, disclosure of adequate information about the state of its affairs and profit and loss account in its audited annual accounts. - Carry on the business with integrity, prudence and the appropriate degree of professional competence and in a manner not detrimental to the interests of depositors or potential depositors. - HKMA takes into account the persons' reputation and character, knowledge and experience, competence, soundness of judgment and diligence, person's record of non-compliance with various non-statutory codes. - Identity of each controller of the institution. 	3-year business plan describing the nature and scale of business to be undertaken and business strategies to be adopted, details of the proposed management, organisational structure and control systems, and financial projections	<p>Applicant institution applying for carrying on banking business must have total customer deposits and total assets of not less than HK\$ 3 billion and HK\$ 4 billion respectively, only at the time of authorization.</p> <p>The applicant institution should have been a DTC or RLB for not less than 3 continuous years, or a subsidiary of a bank incorporated outside Hong Kong or a subsidiary of a holding company of such bank.</p>		<p>Banking license fee - HK\$ 0.47 million</p> <p>Registration fee - HK\$ 0.11 million</p> <p>RLB license fee - HK\$ 0.38 million</p>	No information
MALAYSIA	Every person who is, or is to be, a director, controller or manager of the applicant institution should be fit and proper person in respect of probity, competence and soundness of judgment, diligence and protecting the depositors or potential		Bank Negara Malaysia stipulates a certain amount, depending on the nature and scale of operations, to be maintained as net assets.		Certain amount of license fee upon being licensed, for opening any	No information is available.

	<p>depositors' interest.</p> <p>Business should be directed by at least two individuals.</p>				<p>office in Malaysia other than the office at principal place of business, and for continuance, is levied.</p>	
EUROPEAN UNION	<p>At least 2 persons, who are fit and proper and have sufficiently good reputation and sufficient experience, should effectively direct the business of the credit institution.</p> <p>Information on identities of shareholders or members (direct or indirect, natural or legal persons) that have qualifying holdings (10% or more of capital or of voting rights) should be furnished to competent authorities.</p> <p>Fit and Proper criteria for shareholders or members.</p> <p>Where "close links"¹ exist between the credit institutions and other natural or legal persons, the competent authorities must be satisfied that such relationships would not prevent the effective exercise of their supervisory functions.</p>		No details are available.	Member States are required to notify the details of every authorization granted to the credit institutions or withdrawal of the same, to the Commission, which publishes the list in the Official Journal of the European Union.		There is nothing specific in CRD to prevent credit institutions being owned or controlled by another industrial undertaking or another kind of financial institution (including a hedge fund). The EU rules do not prohibit particular classes of institution from controlling or owning a bank.
FRANCE	Assesses the quality, identity, economic, financial, social and suitability of contributors of capital, and also their guarantors and their experience in banking sector. Information is also sought for from persons who hold at least 10% of voting rights.	3-year viable business plan indicating an effective direction of business policy, nature and amount of planned transactions giving a detailed breakdown, an organisation chart, number of employees likely to be on payroll.	No details are available about ACP imposing an upper limit on the asset size. However, assets of credit institution should exceed its liabilities to third parties by an amount at least equal to			The Monetary and Financial Code does not specifically restrict the industrial companies to own banks. The proposed credit

	<p>Institution must be handled by at least two persons who must at all times be fit and proper and also meet the conditions laid down in Monetary and Financial Code.</p> <p>ACP assesses the applicant company's ability to realise its development plans in line with proper functioning of the banking system and adequate customer security.</p>		the required minimum capital.			<p>institution can be sponsored when the majority shareholders are medium sized. In case of large industrial or retail groups with extensive financial experience, which applied for banking authorisation limited to operations stemming from those of the group, do not require sponsorship.</p>
UNITED KINGDOM	<p>Fit and Proper in all circumstances, including the applicant's connection with other persons.</p> <p>Compliance with proper standards, competence and ability of management, conduct of affairs with due skill, care and diligence.</p> <p>FSA assesses the business integrity of firm and persons connected with the firm.</p>	Well constructed business plan or strategy plan indicating firm's products or services, complexity of the firm's regulated and unregulated activities and the risks of regulatory concern.				<p>Financial Services and Markets Act does not specifically restrict industrial groups to own banks.</p> <p>FSA, while examining the application, takes into consideration the structure and geographical spread of the applicant firm, the group to which it belongs and other persons with whom it has close links.</p>
USA	Organizing groups and senior management teams must demonstrate its collective ability to establish and operate a national bank successfully.	More than 3-year business plan that addresses regulatory and policy considerations and indicates sound banking principles, financial projections,		Each organising group or sponsor must publish a notice of its charter	\$ 25000 for a new national bank charter in case of individual	Certain types of depository institutions (state commercial banks, state savings

	<p>Directors, CEOs and Executive Officers should have sufficient experience, competence, willingness and ability to be active in overseeing the safety and soundness of bank's affairs.</p> <p>Fit and Proper criteria for the organizers groups and management.</p> <p>Each national bank has to adopt a written insider policy addressing its code of conduct and conflicts of interest between the bank and its directors and principal shareholders and also with its officers and employees.</p> <p>Organizers to establish compensation plans that are in the best interest of the bank and commensurate with the proposed services.</p>	<p>risk analysis and risk management systems and controls. It should realistically forecast market demand, customer base, competition and economic conditions. The plan should also incorporate an alternative business strategy so as to manage potential scenarios prudently, efficiently and effectively.</p> <p>Each national bank has a responsibility under the CRA to help meet the credit needs of its entire community, consistent with the safe and sound operations of such institution.</p>		<p>application in a general circulation newspaper in the place of its location, which allows the public to give written complaints to the OCC in support of or in opposition to the application.</p>	<p>and non-bank holding company sponsored.</p> <p>\$ 10,000 in case of bank holding company sponsored.</p>	<p>associations, state savings banks, state trust companies, federal savings banks and federal savings associations) can convert to become national banks, provided they demonstrate the ability to operate safely and soundly and comply with applicable laws, regulations and policies.</p> <p>A new bank may be affiliated with another organization called a sponsor, rather than choose to operate independently. A sponsor is usually an existing holding company, not necessarily bank holding company.</p>
<p>JAPAN</p>	<ul style="list-style-type: none"> - Applicant must indicate that it has the financial basis sufficiently to perform the bank business soundly and effectively, and a prospect for income and expenditure relating to the business is good. - Applicant should possess knowledge and experience capable of performing accurately, fairly and effectively the 					<p>No specific information is available.</p>

business of bank.

- A person owning voting rights, which exceed five-hundreds of voting rights of all the shareholders of a bank or of all the shareholders of a bank holding company, is required to furnish information regarding the ratios of voting rights, matters concerning funds, purpose of retention to the Prime Minister.