

Reserve Bank of India

Draft Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector

September 13, 2019

I. Introduction

The Reserve Bank had issued the [Guidelines for Licensing of "Small Finance Banks" in the Private Sector on November 27, 2014](#). The process of licensing culminated in granting in-principle approval to ten applicants and they have since established the banks. It was notified in these Guidelines that after gaining experience in dealing with these banks, the Reserve Bank will consider 'on tap' licensing of these banks. After a review of the performance of the existing small finance banks and to encourage competition, it was announced in the [Second Bi-monthly Monetary Policy Statement, 2019-20 dated June 06, 2019](#) that the Reserve Bank would put out draft guidelines for 'on tap' licensing of such banks. Accordingly, the following guidelines for licensing of small finance banks in the private sector have been formulated for continuous authorisation.

II. Guidelines

1. Registration, licensing and regulations

The small finance bank shall be registered as a public limited company under the Companies Act, 2013. It will be licensed under Section 22 of the Banking Regulation Act, 1949 and governed by the provisions of the Banking Regulation Act, 1949; Reserve Bank of India Act, 1934; Foreign Exchange Management Act, 1999; Payment and Settlement Systems Act, 2007; Credit Information Companies (Regulation) Act, 2005; Deposit Insurance and Credit Guarantee Corporation Act, 1961; other relevant Statutes and the Directives, Prudential Regulations and other Guidelines/ Instructions issued by Reserve Bank of India (RBI) and other regulators from time to time. The small finance banks will be given scheduled bank status once they commence their operations.

2. Objectives

The objectives of setting up of small finance banks will be for furthering financial inclusion by (i) provision of savings vehicles primarily to unserved and underserved sections of the population, and (ii) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations.

3. Eligible promoters

(a) Eligibility Criteria:

Resident individuals/professionals (Indian citizens), singly or jointly, each having at least 10 years of experience in banking and finance at a senior level; and Companies and Societies in the private sector, that are owned and controlled by residents (as defined in FEMA Regulations, as amended from time to time), and having successful track record of running their businesses for at least a period of five years, will be eligible as promoters to set up small finance banks. Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) in the private sector, that are controlled by residents (as defined in FEMA Regulations, as amended from time to time), and having successful track record of running their businesses for at least a period of five years, can also opt for conversion into small finance banks after complying with all legal and regulatory requirements of various authorities and if they conform to these guidelines. However, joint ventures by different promoter groups for the purpose of setting up small finance banks would not be permitted. As local focus and the ability to serve smaller customers will be the key criteria in licensing such banks, this may be a more appropriate vehicle for local players or players who are focused on lending to unserved / underserved sections of the society. Accordingly, proposals from public sector entities and large industrial house / business groups, including from NBFCs promoted by them, autonomous boards / bodies set up under enactment of a State legislature, state financial corporations, subsidiaries of development financial institutions, will not be entertained. For the purpose of these guidelines, a Group with assets of Rs.5,000 crore or more with the non-financial business of the group

accounting for 40 per cent or more in terms of total assets / gross income, will be treated as a large industrial house / business groups. (In taking a view on whether the companies, either as promoters or investors, belong to a large industrial house or to a company connected to a large industrial house, the decision of the RBI will be final).

Primary (Urban) Co-operative Banks (UCBs), which are desirous of voluntarily converting into small finance bank, may refer to Scheme on voluntary transition of Urban Co-operative Bank into a Small Finance Bank ([Circular reference no. DCBR.CO.LS.PCB. Cir.No.5/07.01.000/2018-19 dated September 27, 2018](#)). UCBs applying for transiting to small finance bank or obtaining in-principle approval for such transition (under the above referred scheme), will be required to ensure compliance with these 'on tap' licensing guidelines from the date of commencement of business as small finance bank except the guideline on minimum capital. The minimum net worth of such small finance banks shall be Rs.100 crore from the date of commencement of business. However they will have to increase their minimum net worth to Rs.200 crore within five years from the date of commencement of business.

(b) 'Fit and Proper' criteria

Promoters / Promoter Groups¹ should be 'fit and proper' in order to be eligible to promote small finance banks. RBI would assess the 'fit and proper' status of the applicants on the basis of their past record of sound credentials and integrity; financial soundness and successful track record of professional experience or of running their businesses, etc. for at least a period of five years.

(c) Corporate Structure:

The promoters / promoter group may choose to set up the small finance bank either as a standalone entity or under a holding company, which shall act as the promoting entity of the bank. However, if there is an intermediate company between the small finance bank and its promoting entity, it should be a Non-Operative Financial Holding Company (NOFHC). If the promoters desire to set up the small finance bank under a holding company structure, without an NOFHC, the holding company / the promoting entity shall

¹ The definitions of 'promoter' and 'promoter group' are provided in [Annex I](#).

be registered as an NBFC – CIC with the Reserve Bank. In case the small finance bank is set up under an NOFHC, the NOFHC would be required to conform to all requirements relating to NOFHC stipulated under paragraph 2 (C) II of the [Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector dated August 1, 2016](#). The general principle for reorganisation of the activities in the group is that all activities permitted to a bank under Section 6 (a) to (o) of Banking Regulation Act, 1949 shall be carried out from the bank. However, if the Promoters desire to continue existing specialized activities from a separate entity proposed to be held under the NOFHC, prior approval from RBI would be required and it should be ensured that similar activities are not conducted through the bank. Further, the activities not permitted to the bank would also not be permitted to the group i.e. entities under the NOFHC would not be permitted to engage in activities that the bank is not permitted to engage in. However, small finance banks will not be allowed to set up any subsidiaries.

4. Scope of activities

The small finance bank, in furtherance of the objectives for which it is set up, shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

It can also undertake other non-risk sharing simple financial services activities, not requiring any commitment of own fund, such as distribution of mutual fund units, insurance products, pension products, etc. with the prior approval of the RBI and after complying with the requirements of the sectoral regulator for such products. After three years from the date of commencement of operations of the bank, requirement for prior approval from the Reserve Bank will no longer apply and the bank will be governed by the extant norms as applicable to scheduled commercial banks.

The small finance bank can also become a Category II Authorised Dealer in foreign exchange business for its clients' requirements.

Small finance banks will have general permission to open banking outlets from the date of commencement of business as per RBI circular on "[Rationalisation of Branch Authorisation Policy- Revision of Guidelines](#)" dated May 18, 2017, as amended from time to time subject to the condition that the requirement of opening at least 25 per cent of its banking outlets in unbanked rural centers (population upto 9,999 as per the latest census). Where the small finance bank has been formed by conversion of an existing NBFC – MFI, the transition of existing branches to banking outlets will be governed by the provisions of paragraph 7 of the RBI circular on "[Rationalisation of Branch Authorisation Policy- Revision of Guidelines](#)" dated May 18, 2017, as amended from time to time.

There will not be any restriction in the area of operations of small finance banks; however, preference will be given to those applicants who, in the initial phase, set up the bank in a cluster of under-banked States / districts, such as in the North-East, East and Central regions of the country. These applicants will not have any hindrance to expand to other regions in due course. It is expected that the small finance bank should primarily be responsive to local needs. After the initial stabilization period of five years, and after a review, RBI may liberalize the scope of activities of the small finance banks.

The other financial and non-financial services activities of the promoters, if any, should be kept distinctly ring-fenced and not comingled with the banking business.

The small finance bank will be required to use the words "Small Finance Bank" in its name in order to differentiate it from other banks.

5. Capital requirement

The minimum paid-up voting equity capital for small finance banks shall be Rs.200 crore, except for such small finance banks which are converted from UCBs for which the capital requirement will be as prescribed in paragraph 3(a) above.

In view of the inherent risk of a small finance bank, it shall be required to maintain a minimum capital adequacy ratio of 15 per cent of its risk weighted assets (RWA) on a continuous basis, subject to any higher percentage as may be prescribed by RBI from

time to time. Tier I capital should be at least 7.5 per cent of RWAs. Tier II capital should be limited to a maximum of 100 per cent of total Tier I capital. Basel II norms will be generally applicable to the small finance banks, unless stipulated otherwise.

6. Promoters' contribution

The promoters shall 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 from the date of commencement of business of the bank. If the initial shareholding by promoters in the bank is in excess of 40 per cent of paid-up voting equity capital, it should be brought down to 40 per cent within a period of five years. Whether a promoter ceases to be a promoter or could exit from the bank, after completing the lock-in period of five years, would depend on the RBI's regulatory and supervisory comfort / discomfort and SEBI regulations in this regard. Further, the promoters' stake should be brought down to a maximum of 30 per cent of the paid-up voting equity capital of the bank within a period of 10 years, and to a maximum of 15 per cent within 15 years from the date of commencement of business of the bank.

Further, in the case of such small finance banks which are converted from UCBs, while the initial lock in period for promoters will be similar to other small finance banks (i.e. 40 per cent of the paid-up voting equity capital of the bank for first five years), the requirement of bringing down the promoters' holding (to 40/30/15 per cent over the period of 5/10/15 years) would commence from the date of reaching net worth of Rs.200 crore (as against from date of commencement of business, for other small finance banks).

Proposals having diversified shareholding, subject to the initial minimum shareholding of promoters, and a time frame for listing of the bank will be preferred. However, after the small finance bank reaches the net worth of Rs.500 crore, listing will be mandatory within three years of reaching that net worth. Small finance banks having net worth of below Rs.500 crore could also get their shares listed voluntarily, subject to fulfillment of the requirements of the capital markets regulator. Any proposed material change in the

shareholding pattern in the promoter entity at the time of application and during the period between the application and in-principle approval and even thereafter should be brought to the prior notice of RBI.

7. Foreign shareholding

The foreign shareholding in the small finance bank would be as per the extant Foreign Direct Investment (FDI) policy for private sector banks, subject to paragraph 6 above.

8. Voting rights and transfer / acquisition of shares

As per Section 12 (2) of the Banking Regulation Act, 1949, read with RBI notification dated July 21, 2016, published in the Gazette of India dated September 17, 2016, any shareholder's voting rights in private sector banks are currently capped at 26 per cent of the total voting rights of all the shareholders of the banking company. Further, as per Section 12 (B) of the Act *ibid*, any acquisition of 5 per cent or more of paid-up share capital in a private sector bank or voting rights therein will require prior approval of RBI. These provisions will apply to the small finance banks also. However, shareholding limits of promoters / promoter group will be guided by paragraph 6 of these guidelines.

9. Prudential norms

The newly set up small finance banks should ensure that they put in place a robust risk management framework. The small finance bank will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). No forbearance would be provided for complying with the statutory provisions.

In view of the objectives for which small finance banks are set up, the bank will be required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by RBI. While 40 per cent of

its ANBC should be allocated to different sub-sectors under PSL as per the extant PSL prescriptions, the bank can allocate the balance 35 per cent to any one or more sub-sectors under the PSL where it has competitive advantage. The first audited balance sheet as on March 31st, post commencement of operations of the small finance bank, would form the basis for the first PSL target for the bank (for the subsequent financial year). During the 'intervening period' i.e. the period between date of commencement of business and the date of first audited balance sheet (i.e. March 31st), the small finance banks are not allowed to sell Priority Sector Lending Certificates.

The maximum loan size and investment limit exposure to a single and group obligor would be restricted to 10 per cent and 15 per cent of its capital funds, respectively. Further, in order to ensure that the bank extends loans primarily to small borrowers, at least 50 per cent of its loan portfolio should constitute loans and advances of up to Rs.25 lakh on an ongoing basis. For assessing compliance with this requirement, the entire loan portfolio of the bank, as on the date of commencement of operations, would be considered and not just the fresh loans disbursed after the commencement of operations. Further, the criteria of upper limit of Rs.25 lakh shall be borrower wise.

After the initial stabilization period of five years, and after a review, RBI may relax the above exposure limits.

In addition to the restrictions placed on banks' loans and advances to its directors and the companies in which its directors are interested under Section 20 of the Banking Regulation Act, 1949, the small finance bank is precluded from having any exposure to its promoters, major shareholders (who have shareholding of 10 per cent or more of paid-up voting equity shares in the bank), the relatives [as defined in Section 2 (77) of the Companies Act, 2013 and Rules made there under] of the promoters as also the entities in which they have significant influence or control (as defined under Accounting Standards Ind AS 28 and Ind AS 110).

10. Additional conditions for NBFCs/MFIs/LABs converting into a bank

An existing NBFC/MFI/LAB, if it meets the conditions under these guidelines, could apply to convert itself into a small finance bank, after complying with all legal and approval requirements from various authorities. In such a case, the entity shall have a minimum net worth of Rs.200 crore or it shall infuse additional paid-up voting equity capital to achieve net worth of Rs.200 crore within eighteen months from the date of in-principal approval or as on the date of commencement of operations, whichever is earlier. It may be noted that on conversion into a small finance bank, the NBFC / MFI will cease to exist and all its business which a bank can undertake should fold into the bank and the activities which a bank cannot statutorily undertake be divested / disposed of. Further, the branches of the NBFC / MFI should either be converted into bank branches within a period of three years from the date of commencement of operations or be merged / closed. The small finance bank and the NBFC / MFI cannot co-exist.

Banks are precluded from creating floating charge on their assets. For such NBFCs / MFIs, which succeed in obtaining licenses to convert into small finance banks, if they have created floating charges on their assets for secured borrowings which stand in their balance sheets on the day of conversion into a small finance bank, RBI will permit grandfathering of such borrowings till their maturity, subject to imposition of additional capital charge in order to protect the interest of the depositors.

If the existing NBFCs/MFIs/LABs have diluted the promoters' shareholding to below 40 per cent, but above 26 per cent, due to regulatory requirements or otherwise, RBI may not insist on the promoters' minimum initial contribution as indicated in paragraph 6 of the guidelines. In such cases, the promoters' have to ensure that their holding does not fall below 26% of paid-up voting equity capital during the first five years, from commencement of business of the bank, even if fresh equity is infused.

11. Business plan

The applicants for small finance bank licenses will be required to furnish their business plans along with project reports with their applications. The business plan will have to address how the bank proposes to achieve the objectives behind setting up of small finance banks and in the case of an NBFC / MFI applicant, how the existing business of NBFC / MFI will fold into the bank or divested / disposed of. The business plan submitted by the applicant should be realistic and viable. In case of deviation from the stated business plan after issue of license, RBI may consider restricting the bank's expansion, effecting change in management and imposing other penal / regulatory measures as may be necessary.

12. Corporate governance

- i. The Board of the small finance bank should have a majority of independent Directors².
- ii. The bank should comply with the corporate governance guidelines including 'fit and proper' criteria for Directors as issued by RBI from time to time.

13. Other conditions

- i. A promoter will not be granted licenses for both universal bank and small finance bank even if the proposal is to set them up under the NOFHC structure.
- ii. If a promoter of a payments bank desires to set up a small finance bank, both the banks should be under NOFHC structure.
- iii. If an existing payments bank desires to convert into a small finance bank, they can submit their application, if they meet the eligibility criteria mentioned in paragraph 3 of these guidelines.
- iv. Individuals (including relatives) and entities other than the promoters will not be permitted to have shareholding in excess of 10 per cent of the paid-up voting equity capital of the bank. In case of existing NBFCs/MFIs/LABs converting into

² Independent Directors: As defined in Companies Act, 2013

small finance bank, where there is shareholding in excess of 10 per cent of the paid-up voting equity capital by entities other than the promoters (including private equity funds), RBI may consider providing time up to 3 years from the date of the 'in principle' approval for the shareholding to be brought down to a maximum of 10 per cent.

- v. The small finance bank cannot be a Business Correspondent (BC) for another bank. However, it can have its own BC network.
- vi. The operations of the bank should be technology driven from the beginning, conforming to generally accepted standards and norms; while new approaches (such as for data storage, security and real time data updation) are encouraged, a detailed technology plan for the same should be furnished to RBI.
- vii. The bank should have a high powered Customer Grievances Cell to handle customer complaints. The small finance banks will come under the purview of RBI's Banking Ombudsman Scheme, 2006, as amended from time to time.
- viii. The compliance of terms and conditions laid down by RBI is an essential condition of grant of license. Any non-compliance will attract penal measures or regulatory actions including cancellation of license of the bank.

14. Transition path

The small finance bank may choose to continue as a differentiated bank. If it aspires to transit into a universal bank, such transition will not be automatic, but would be subject to it applying to RBI for such conversion and fulfilling minimum paid-up voting equity capital / net worth requirement as applicable to universal banks; its satisfactory track record of performance as a small finance bank for a minimum period of five years and the outcome of RBI's due diligence exercise. On transition into a universal bank, it will be subjected to all the norms including NOFHC structure as applicable under the [Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector dated August 1, 2016](#).

15. 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). In addition, the applicants should furnish the business plan as per paragraph 11 and other requisite information as per the [Annex II](#). Applications for setting up of small finance banks in the private sector, along with other details as mentioned above, contained in an envelope superscripted "Application for Small Finance Bank" should be addressed to:

The Chief General Manager,
Department of Banking Regulation,
Reserve Bank of India,
Central Office, 13th Floor, Central
Office Building, Shahid Bhagat
Singh Road,
Mumbai - 400001

The licensing window will be open on-tap. As such, applications in the prescribed form along with requisite information could be submitted to RBI at any point of time, as desired by the applicant.

16. Procedure for RBI decisions

- a) At the first stage, the applications will be screened by RBI to assess the eligibility of the applicants, *vis-à-vis* the criteria laid down in these guidelines. RBI may apply additional criteria to determine the suitability of applications, in addition to the 'fit and proper' criteria prescribed at paragraph 3 above. Thereafter, the applications will be referred to a Standing External Advisory Committee (SEAC) to be set up by RBI.
- b) The SEAC will comprise of eminent persons with experience in banking, financial sector and other relevant areas. The tenure of the SEAC will be for three years.
- c) The SEAC will set up its own procedures for screening the applications. The SEAC will meet periodically, as and when required. The Committee will reserve the right

to call for more information as well as have discussions with any applicant/s and seek clarification on any issue as may be required by it. The Committee will submit its recommendations to RBI for consideration.

- d) The Internal Screening Committee (ISC), consisting of the Governor and the Deputy Governors will examine all the applications. The ISC will also deliberate on the rationale of the recommendations made by the SEAC and then submit its recommendations to the Committee of the Central Board (CCB) of RBI for the final decision to issue 'in-principle approval'.
- e) The validity of the 'in-principle approval' issued by RBI will be 18 months from the date of granting 'in-principle approval' and would thereafter lapse automatically. Therefore, the -applicant will have to obtain the license within a period of 18 months of granting the 'in-principle approval'.
- f) After issue of the 'in-principle approval' for setting up of a small finance bank, if any adverse features are noticed regarding the Promoters or the companies / entities with which the Promoters are associated and the group in which they have interest, the RBI may impose additional conditions and if warranted, may withdraw the 'in-principle approval'.
- g) The names of applicants that are found suitable for grant of in-principle approval will also be placed on the RBI website.
- h) An applicant who has not been found suitable for issue of license will be advised of the Reserve Bank's decision. Such applicants will not be eligible to make an application for a banking license for a period of three years from the date of that decision.
- i) Applicants aggrieved by the decision of the Committee of the Central Board can prefer an appeal against the decision to the Central Board of Directors, within one month from the date of receipt of communication from RBI relating to the application not being considered as at paragraph 16 (h) above.

Definitions

I. Promoter

Promoter means, the person who together with his relatives [as defined in Section 2 (77) of the Companies Act, 2013 and Rules made there under], by virtue of his ownership of voting equity shares, is in effective control of the bank / NOFHC, and includes, wherever applicable, all entities which form part of the Promoter Group.

II. Promoting entity

Promoting entity means the entity that promotes the bank.

III. Promoter Group

“Promoter Group” includes:

(i) the promoter;

(ii) relatives of the promoter [as defined in Section 2 (77) of the Companies Act, 2013 and Rules made there under]; and

(iii) in case promoter is a body corporate:

(A) a subsidiary or holding company of such body corporate;

(B) any body corporate in which the promoter holds ten per cent or more of the equity share capital or which holds ten per cent or more of the equity share capital of the promoter;

(C) any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent or more of the equity share capital in that body corporate also holds twenty per cent or more of the equity share capital of the promoter;

(D) Joint venture/Associate (as defined in terms of InD AS 28) with the promoter;

(E) Related party (as defined in terms of InD AS 24) of the promoter; and

(iv) in case the promoter is an individual:

(A) any body corporate in which ten per cent or more of the equity share capital is held by the promoter or a relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relative is a member;

(B) any body corporate in which a body corporate as provided in (A) above holds ten per cent or more, of the equity share capital;

(C) any Hindu Undivided Family or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than ten per cent of the total; and

(v) all persons who are declared as promoters in the Articles of Association of the bank/group companies.

(vi) all persons whose shareholding is aggregated for the purpose of disclosing in the prospectus³ under the heading "shareholding of the promoter group";

(vii) Entities sharing a common brand name with entities discussed in A, B, C, D, E, where the promoter is a body corporate and A, B, C where the promoter is an individual;

Provided that a financial institution, scheduled commercial bank, foreign institutional investor or mutual fund shall not be deemed to be promoter group merely by virtue of the fact that ten per cent or more of the equity share capital of the promoter is held by such institution unless such investment is strategic in nature.

³ As per SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018

Additional Information to be furnished by promoters along with relevant supporting documents

I. Existing Structure

1. Information on the individual promoter :
 - a. Self-declaration by the individual promoters as per [Appendix I](#).
 - b. Detailed profiles on the background and experience of the individual promoters, his/their expertise, track record of business.

2. Information on the individuals and entities in the promoter group :
 - a. Names and details of other entities in the promoter group as per [Appendix II](#) (if not covered in [Appendix I](#)).
 - b. Shareholding pattern of all the entities in the promoter group.
 - c. A pictorial organogram indicating the corporate structure of all the entities in the group indicating the shareholding and total assets of the entities.
 - d. Annual reports of the past five years of all the group entities.

3. Information on the entity converting/promoting the bank :
 - a. Declaration by the promoting / converting entity as per [Appendix III](#).
 - b. Shareholding pattern of the promoting / converting entity.
 - c. Memorandum and Articles of Association and financial statements of the promoter entity for the past five years (including a tabulation of important financial indicators for the said years), board composition and representation of the Directors over a period of ten years, income tax returns for last three years, C.A certificate indicating source of funds for promoting / converting entity.

II. Proposed Structure

1. The applicants should furnish detailed information about the persons/entities, who would subscribe to 5 per cent or more of the paid-up voting equity capital (shareholding pattern) of the proposed bank, including

foreign equity participation, in the proposed bank and the sources of capital of the proposed investors.

2. The proposed promoter shareholding and plan for dilution of promoter shareholding in compliance with the guidelines.
3. Proposed management of the bank, if finalised.

III. Project Report

A project report covering business potential and viability of the proposed bank, the proposed area of operation, the business plan⁴, any other financial services proposed to be offered, plan for compliance with prudential norms on CRR/SLR⁵, composition of loan portfolio, priority sector, etc. as per the guidelines, and any other information that is considered relevant. The project report should give as much concrete details as feasible, based on adequate ground level information and avoid unrealistic or unduly ambitious projections. The business plan should address how the bank proposes to achieve financial inclusion⁶ and in the case of an NBFC / MFI applicant, how the existing business of NBFC / MFI will fold into the bank or divested / disposed of.

IV. Any other information

The promoters may furnish any other relevant information and documents supporting the applications. Further, the RBI may call for any other additional information, as may be required, in due course.

⁴ Business plan should, *inter alia*, include (but not limited to), the underlying assumptions, the existing infrastructure/ network/ branches, and the proposed product lines, target clientele, target locations, usage of technology, risk management, plans relating to human resources, branch network, alternative points of presence, opening of branches in unbanked rural areas, priority sector compliance, financial projections for five years, etc.

⁵ In case of NBFC applicants, information on existing CRR / SLR requirement, projected CRR / SLR requirement and plan for compliance with statutory norms on CRR / SLR may be given.

⁶ Financial Inclusion Plan should include (but not limited to), details of joint venture or partnership for offering financial inclusion products, promoting financial literacy, achieving the objective of small finance banks, etc.

Appendix I

Self-declaration from the main individual promoter of the promoter group

The applicant's name:

S.No	Aspect	Remarks
1.	Name of the main individual promoter (including previous names, if any) ⁷	
2.	Details of bio-data	Form I
3.	Proposed shareholding amount and percentage of shareholding in the bank	
4.	Net worth of the main individual promoter(duly certified by a CA)	
5.	Average income over last 5 years	
6.	Source of funds for the proposed shareholding in the bank (Duly certified by the Chartered Accountant)	
7.	Name of the Hindu Undivided Family (HUF) in which the main individual promoter is a member/karta along with its proposed shareholding in the bank (in Rs. and %)	
8.	List of entities in which the HUF is holding 10% or more of the equity share capital along with the percentage of shareholding	Form II
9.	List of relatives of the main individual promoter with relationship (Refer Section 2 (77) of the Companies Act, 2013 and Rules made there under) and their proposed shareholding / voting rights in the bank	Form III
10.	List of persons acting in concert (as defined in explanation1(a) to section 12 B of Banking Regulation Act, 1949) with the main individual promoter and their proposed shareholding / voting rights in the bank	Form IV
11.	List of associate enterprises (as defined in explanation1(c) to section 12 B of Banking Regulation Act, 1949) and their proposed shareholding / voting rights in the bank	Form V
12.	List of entities in which the main individual promoter is holding 10% or more of the capital of such entities and their proposed shareholding / voting rights in the bank	Form VI

⁷If there are more than one individual promoter in the group, separate declaration forms are to be submitted

S.No	Aspect	Remarks
13.	List of entities, if any, in which the main individual promoter is considered as being interested [Refer Section 184 of Companies Act, 2013] and their proposed shareholding / voting rights in the bank	Form VII
14.	List of entities in which the entities named in 1, 7 to 13 above collectively are holding 10% or more of the equity share capital of that entity	Form VIII
15.	List of entities in which persons / entities named in 1, 7 to 14 above have individually or collectively divested their shareholding in the past 5 years	Form IX
16.	Aggregate proposed shareholding of the entities named in 1 & 7 to 15 above in the bank (Rs. and %)	
17.	Source of funds for the entities named in 1 & 7 to 15 above for the proposed aggregate shareholding in the bank (Duly certified by the Chartered Accountant)	
18.	In case of having voting rights alone in the bank, the details of agreement with the shareholder in brief	
19.	If the person / entity listed in 1 & 7 to 15 above is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him / her or whether he / she has been banned from entry of at any profession / occupation at any time	
20.	Has the person / entity listed in 1 & 7 to 15 above been subject to any investigation at the instance of Government department or agency?	
21.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against person / entity listed in 1 & 7 to 15 above for violation of economic laws and regulations	
22.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the past against the person / entity listed in 1 & 7 to 15 above	
23.	Has the person / entity listed in 1 & 7 to 15 above at any time been found guilty of violation of rules / regulations / legislative requirements by customs / excise / income tax / foreign exchange / other revenue authorities, if so give particulars	
24.	Whether the person / entity listed in 1 & 7 to 15 above has at any time come to the adverse notice of any regulator/investigative agency including issuance of Show Cause Notice. (Though it shall not be necessary for a person to mention in the column about orders and findings made by regulators which have been later on reversed / set aside in toto, it would be necessary to make a mention of the same, in case the reversal / setting aside is on	

S.No	Aspect	Remarks
	technical reasons like limitation or lack of jurisdiction, etc., and not on merit. If the order of the regulator is temporarily stayed and the appellate / court proceedings are pending, the same also should be mentioned).	
25.	Whether the person / entity listed in 1 & 7 to 15 above has been convicted for any offence under any legislation designed to protect members of the public from financial loss due to dishonesty, incompetence or malpractice.	
26.	Details of shareholding / voting rights of the person / entity listed 1 & 7 to 15 above in other banks and other institutions in the financial sector	
27.	Details of representation of the individual promoter on the Boards of other banks and other institutions in the financial sector	
28.	Income Tax returns of the individual promoter for last three years (if already submitted with the application, the same may be mentioned)	
29.	List of major entities listed in 7 to 15 above (covering at least 50% of the group's total assets or total revenue)	
30.	Audited annual reports of the entities listed in 29 above should be submitted for the last five years (if already submitted with the application, the same may be mentioned)	
31.	Any other explanation / information	

I confirm that the above information is to the best of my knowledge and belief, true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events which take place subsequent to submission of this declaration which are relevant to the information provided above.

Signature and stamp of the individual promoter

Place :

Date :

Bio-data details of the main individual promoter of the group

Name of the person (including previous names, if any)	
Date of birth	
Father's name	
PAN no.	
DIN no.	
Present Address	
Permanent Address	
Citizenship/Residential Status as per FEMA	
Occupation	
Income tax circle to which the individual belongs	
Bank, branch and account number (including credit facilities and non-fund based facilities availed)	
Details of experience in banking and finance	
Details of experience in other fields	

Form II**Entities in which the HUF is holding 10% or more of the equity share capital**

Name of the entity*	Relationship with the individual promoter along with % of shareholding, if any	Date of incorporation	Nature of business activity	Registered Office address	PAN no.	TAN No.	CIN no.	Income tax circle to which the entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, ----		Proposed shareholding in the bank	
												Total assets (Rs. in crore)	Total revenue (Rs. in crore)	In Rs.	In %

*(including previous names, if any)

Form III**Details of the relatives (Refer Section 2 (77) of the Companies Act, 2013 and Rules made there under) of main individual promoter behind the group**

S.No.	Name of the person*	Relationship with main individual promoter	Date of birth	Residential status as per FEMA	Father's name	PAN no.	DIN no.	Income tax circle to which the individual belongs to	Proposed shareholding in the bank	
									In Rs.	In %

*(including previous names, if any)

Form IV

Details of the persons acting in concert (as defined in explanation 1(a) to section 12 B of Banking Regulation Act, 1949) with the individual promoter of the group

S.No.	Name of the person*	Date of birth	Nature of Relationship with the individual promoter	Residential status as per FEMA	Father's name	PAN no.	DIN no.	Income tax circle to which the individual belongs to	Proposed shareholding in the bank	
									In Rs.	In %

*(including previous names, if any)

Form V**Details of associate enterprises (as defined in explanation 1(c) to section 12 B of Banking Regulation Act, 1949) of the individual promoter**

Name of the entity*	Relationship with the individual promoter along with % of shareholding, if any	Date of incorporation	Nature of business activity	Registered Office address	PAN no.	TAN No.	CIN no.	Income tax circle to which the entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, --		Proposed shareholding in the bank	
												Total assets (Rs. in crore)	Total revenue (Rs. in crore)	In Rs.	In %

*(including previous names, if any)

Form VI

Details of entities in which the individual promoter is holding 10% or more of the capital of such entities

Name of the entity*	Percentage of shareholding by the individual promoter in the concerned company	Date of incorporation	Nature of business activity	Registered Office address	PAN no.	TAN No.	CIN no.	Income tax circle to which the entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, -- --		Proposed shareholding in the bank	
												Total assets (Rs. in crore)	Total revenue (Rs. in crore)	In Rs.	In %

*(including previous names, if any)

Form VII

Details of entities in which the individual promoter is considered as being interested [Refer Section 184 of Companies Act, 2013]

Name of the entity*	Relationship with the individual promoter along with % of shareholding, if any	Date of incorporation	Nature of business activity	Registered Office address	PAN no.	TAN No.	CIN no.	Income tax circle to which the entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, ---		Proposed shareholding in the bank		
												Total assets (Rs. in crores)	Total revenue (Rs. in crores)	In Rs.	In %	

*(including previous names, if any)

Form VIII

Details of entities in which aggregate shareholding is 10% or more (by individual promoter, HUF, entities in which the HUF is having shareholding 10% or more, relatives, persons acting in concert, associate enterprises, entities in which the individual promoter is having shareholding 10% or more & entities in which the individual promoter is considered as being interested)

Name of the entity*	Relationship with the individual promoter along with breakup of the present shareholding	Date of incorporation	Nature of business activity	Registered Office address	PAN no.	TAN No.	CIN no.	Income tax circle to which the entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, ---		Proposed shareholding in the bank		
												Total assets (Rs. in crores)	Total revenue (Rs. in crores)	In Rs.	In %	

*(including previous names, if any)

Form IX

Details of entities in which; individual promoter, HUF, entities in which the HUF is having shareholding 10% or more, relatives, persons acting in concert, associate enterprises, entities in which the individual promoter is having shareholding 10% or more & entities in which the individual promoter is considered as being interested; have individually or collectively divested their shareholding in the past 5 years

Name of the entity*	Relationship with the individual promoter along with earlier % and present % of shareholding	Date of incorporation	Nature of business activity	Registered Office address	PAN no.	TAN No.	CIN no.	Income tax circle to which the entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, ---		Proposed shareholding in the bank		
												Total assets (Rs. in crores)	Total revenue (Rs. in crores)	In Rs.	In %	

*(including previous names, if any)

Appendix II

Details of other entities in the promoter group

Name of the entity*	Percentage of shareholding by the individual promoter in the concerned company	Date of incorporation	Nature of business activity	Registered Office address	PAN no.	TAN No.	CIN no.	Income tax circle to which the entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, --		Proposed shareholding in the bank	
												--			
												Total assets (Rs. in crore)	Total revenue (Rs. in crore)	In Rs.	In %

*(including previous names, if any)

Declaration to be submitted by the promoting / converting entities

S.No	Aspect	Remarks
1.	Name of entity (including previous names, if any)	
2.	Details of the entity	Form X
3.	Shareholding pattern of the entity	
4.	Proposed shareholding and voting rights of the entity in the bank	
5.	Net worth of the entity (duly certified by a CA)	
6.	Source of funds for the proposed shareholding in the bank (Duly certified by the Chartered Accountant)	
7.	Aggregate proposed shareholding in the bank (amount and %) by the promoter group, persons acting in concert (as defined in explanation 1(a) to section 12 B of Banking Regulation Act, 1949), associate enterprises (as defined in explanation 1(a) to section 12 B of Banking Regulation Act, 1949) and by entities in which the promoter group is considered as being interested [Refer Section 184 of Companies Act, 2013]	Form XI
8.	Source of funds for the aggregate shareholding in the bank as indicated in 7 above (Duly certified by the Chartered Accountant)	
9.	If the entity is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against it or whether it has been banned from entry of at any profession / occupation at any time	
10.	Has the entity been subject to any investigation at the instance of Government department or agency?	
11.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the entity for violation of economic laws and regulations	
12.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the past against the entity	
13.	Has the entity at any time been found guilty of violation of rules / regulations / legislative requirements by customs / excise / income tax / foreign exchange / other revenue authorities, if so give particulars	
14.	Whether the entity has at any time come to the adverse notice of any regulator/investigative agency including issuance of Show Cause Notice. (Though it shall not be necessary for a person to mention in the column about orders and findings made by regulators which have been later on reversed / set aside in toto, it would be necessary	

S.No	Aspect	Remarks
	to make a mention of the same, in case the reversal / setting aside is on technical reasons like limitation or lack of jurisdiction, etc., and not on merit. If the order of the regulator is temporarily stayed and the appellate / court proceedings are pending, the same also should be mentioned).	
15.	Whether the entity has been convicted for any offence under any legislation designed to protect members of the public from financial loss due to dishonesty, incompetence or malpractice.	
16.	Details of shareholding / voting rights of the entity in other banks and other institutions in the financial sector	
17.	Details of representation of the entity on the Boards of other banks and other institutions in the financial sector	
18.	Income tax returns of the entity for the last three years	
19.	Audited annual reports of the entity for the last 3 years	
20.	Any other explanation / information	

Undertaking

I confirm that the above information is to the best of my knowledge and belief, true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events which take place subsequent to submission of this declaration which are relevant to the information provided above.

Signature and stamp of the promoting / converting entity

Place :

Date :

Form X

Details of the promoting / converting entity

Name of the entity*	Foreign shareholding in the promoting / converting entity	Main promoter behind the entity, with % of shareholding	Date of incorporation	Nature of business activity	Registered Office address	PAN no.	TAN No.	CIN no.	Income tax circle to which the entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, ----				
													Total assets (Rs. in crore)	Total revenue (Rs. in crores)	Total net worth (Rs. in crore)	Paid-up capital	

* To indicate the previous names also, if any

Form XI

Aggregate proposed shareholding in the bank (amount and %) by the promoter group, persons acting in concert (as defined in explanation 1(a) to section 12 B of Banking Regulation Act, 1949), associate enterprises (as defined in explanation 1(a) to section 12 B of Banking Regulation Act, 1949) and by entities in which the promoter group is considered as being interested [Refer Section 184 of Companies Act, 2013]

Name of the person / entity*	Relationship with the major shareholder along with % of shareholding , if any	Date of birth / incorporation	Nature of business activity	Registered Office address	PAN no.	DIN no.	TAN No.	CIN no.	Income tax circle to which the person / entity belongs to	Name of the regulator	Registration details in case the entity is regulated	Bank, branch and account number (including credit facilities and non-fund based facilities availed)	As on March 31, --		Proposed shareholding in the bank		
													Total assets (Rs. in crore)	Total net worth (Rs. in crore)	Proposed shareholding in Rs.	Proposed shareholding in %	

* To indicate the previous names also, if any