



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI/2015-16/176

DBR.No.FSD.BC.37/24.01.001/2015-16

September 16, 2015

**All Scheduled Commercial Banks  
(excluding RRBs)**

Dear Sir/ Madam,

**Equity Investment by Banks – Review**

Please refer to circulars DBOD BP(FSC) 1854/C-469-89 dated May 27, 1989 and DBOD FSC BC 45/C.469 dated October 15, 1991, in terms of which banks cannot participate in the equity of financial services ventures including stock exchanges, depositories, etc., without obtaining the prior specific approval of the Reserve Bank of India, notwithstanding the fact that such investments may be within the ceiling prescribed under Section 19(2) of the Banking Regulation Act.

2. Such investments are already subject to prudential limits as mentioned in Para 3.1 (a) and (c) of [Master Circular DBR.No.FSD.BC.19/24.01.001/2015-16 on 'Para-banking Activities' dated July 1, 2015](#), viz., equity investments by a bank in a subsidiary company, or a financial services company, including financial institutions, stock and other exchanges, depositories, etc., which is not a subsidiary should not exceed 10 per cent of the bank's paid-up share capital and reserves and the total investments made in all subsidiaries and other entities that are engaged in financial services activities together with equity investments in entities engaged in non-financial services activities should not exceed 20 per cent of the bank's paid-up share capital and reserves. The cap of 20 per cent does not apply, nor is prior approval of RBI required, if investments in financial services companies are held under 'Held for Trading' category, and are not held beyond 90 days as envisaged in the Master Circular on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks'. They are also subject to extant prudential norms.

3. To give more operational freedom and flexibility in decision making, it is advised that banks which have CRAR of 10 per cent or more and have also made net profit

as of March 31 of the previous year need not approach RBI for prior approval for equity investments in cases where after such investment, the holding of the bank remains less than 10 per cent of the investee company's paid up capital, and the holding of the bank, along with its subsidiaries or joint ventures or entities continues to remain less than 20 per cent of the investee company's paid up capital. Financial Services Companies have been defined in [Annex I](#) to the Master Circular DBR.No.FSD.BC.19/24.01.001/2015-16 dated July 1, 2015.

4. The investment will continue to be subject to extant prudential limits mentioned at para 2 above as well as extant prudential norms.

Yours faithfully

**(Lily Vadera)**  
Chief General Manager