



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल/email: helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001

Department of Communication, Central Office, S.B.S.Marg, Mumbai-400001

फोन/Phone: 022- 22660502

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RBI releases “Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector”

The Reserve Bank of India today released on its website, [“Guidelines for ‘on tap’ Licensing of Small Finance Banks in the Private Sector”](#).

Major changes from the earlier [Guidelines on Small Finance Banks dated November 27, 2014](#), are (i) The licensing window will be open on-tap; (ii) minimum paid-up voting equity capital / net worth requirement shall be ₹200 crore; (iii) for Primary (Urban) Co-operative Banks (UCBs), desirous of voluntarily transiting into Small Finance Banks (SFBs) initial requirement of net worth shall be at ₹100 crore, which will have to be increased to ₹200 crore within five years from the date of commencement of business. Incidentally, the net-worth of all SFBs currently in operation is in excess of ₹200 crore; (iv) SFBs will be given scheduled bank status immediately upon commencement of operations; (v) SFBs will have general permission to open banking outlets from the date of commencement of operations; (vi) Payments Banks can apply for conversion into SFB after five years of operations, if they are otherwise eligible as per these guidelines.

Background

It may be recalled that the Reserve Bank of India (RBI) had last issued [guidelines for licensing of Small Finance Banks in the private sector on November 27, 2014](#). Consequently, the Reserve Bank issued in-principle approval to ten applicants and they have since established the banks. It was mentioned in the guidelines that after gaining experience in dealing with these banks, RBI would consider receiving the applications on a continuous basis. In the [Second Bi-monthly Monetary Policy Statement, 2019-20 dated June 06, 2019](#), it was announced that the Draft Guidelines for ‘on tap’ Licensing of such banks will be issued. Accordingly, the [draft guidelines](#) were published on the RBI website on September 13, 2019 inviting comments from the stakeholders and members of the public. Taking into consideration the responses received, the final guidelines have now been issued.

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(Yogesh Dayal)
Chief General Manager