



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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June 12, 2020

## **Reserve Bank constitutes an Internal Working Group to review extant ownership guidelines and corporate structure for Indian private sector banks**

RBI has constituted an Internal Working Group (IWG) to review the extant guidelines on ownership and corporate structure for Indian private sector banks.

As macroeconomic, financial market and technological developments continue to influence the future of banking and transform how the entire banking industry operates, it is felt necessary to align regulations to meet the requirements of a dynamic banking landscape. In order to leverage these developments for engendering competition through entry of new players, the Reserve Bank has already issued the guidelines for on-tap licensing of universal banks as well as small finance banks. The broad policy relating to ownership and control in Indian private sector banks is guided by the framework issued in February 2005. Though the overarching principle that the ownership and control of private sector banks should be well diversified and that the major shareholders are 'fit and proper', have remained unchanged, the specific contours have evolved over the years with specific prescriptions being given as part of licensing guidelines issued at various points in the past.

It is, therefore, felt necessary to comprehensively review the extant guidelines on ownership, governance and corporate structure in private sector banks, taking into account key developments over the years which have a bearing on the issue. The review would provide an opportunity to harmonise the norms applicable to banks set up at different time periods, irrespective of their date of commencement of business.

Accordingly, the Internal Working Group will examine and review the extant licensing and regulatory guidelines relating to ownership and control, promoters' holding, requirement of dilution, control and voting rights, etc. The composition of the Working Group is as under:

1. Dr. Prasanna Kumar Mohanty, Director, Central Board of RBI
2. Prof. Sachin Chaturvedi, Director Central Board of RBI
3. Smt. Lily Vadera, Executive Director, RBI
4. Shri S. C. Murmu, Executive Director, RBI
5. Shri Shrimohan Yadav, Chief General Manager, RBI - Convenor

**The Terms of Reference of the Committee are given below:**

- i. To review the extant licensing guidelines and regulations relating to ownership and control in Indian private sector banks and suggest appropriate norms, keeping in mind the issue of excessive concentration of ownership and control, and having regard to international practices as well as domestic requirements;
- ii. To examine and review the eligibility criteria for individuals/ entities to apply for banking license and make recommendations on all related issues;
- iii. To study the current regulations on holding of financial subsidiaries through non-operative financial holding company (NOFHC) and suggest the manner of migrating all banks to a uniform regulation in the matter, including providing a transition path;
- iv. To examine and review the norms for promoter shareholding at the initial/licensing stage and subsequently, along with the timelines for dilution of the shareholding; and,
- v. To identify any other issue germane to the subject matter and make recommendations thereon.

The Committee shall submit its report by 30<sup>th</sup> September 2020.

**Press Release: 2019-2020/2493**

**(Yogesh Dayal)**  
Chief General Manager