

26 in queue for bank licence

The 13th floor of the Reserve Bank of India's headquarters in South Mumbai on Monday saw an unusual sight: Many visitors carrying huge cartons filled with documents lining up before the office of Chandan Sinha, chief general manager-in-charge, department of banking operations & development.

The documents, some running into more than 20,000 pages, were part of the applications for banking licences, the deadline for which expired on Monday.

A total of 26 applications were received, including those from the usual corporate heavyweights like L&T, the Tata group (Tata Sons has applied, not Tata Capital), Reliance Capital, Aditya Birla Nuvo, Bajaj Finserv, Videocon (in the name of Aurangabad-based Value Industries), apart from infrastructure financier IDFC, gold loan company Muthoot Finance, realty developer Indiabulls, micro financier Bandhan and Bangalore-based Janalakshmi. SKS Microfinance, India's only listed microfinance company, was absent, though its chief financial officer had said it would consider applying.

Among surprise entries were Noida-based little-known Smart Global Ventures and Gurgaon-based advisory services firm INMACS Management. UAE Exchange India, a remittance and foreign exchange services firm and Suryamani Financing, part of the Kolkata-based Pawan Kumar Ruia group also joined the fray.

The Department of Posts, Tourism Finance Corporation and government-owned financial institution IFCI were among the public-sector entities that applied.

Apart from these, India Infoline, Religare, Edelweiss, Magma Fincorp, Muthoot Finance and SREI Infra Finance were also on the list of aspirants. In a statement issued on Monday, India Infoline said former Corporation Bank chairman, V K Chopra, would head its banking foray.

The central bank has not formally communicated how many licences it will issue but sources indicate the number is unlikely to exceed eight.

This is the first time in more than a decade that banking licences will be issued. This is also the first time that corporate and industrial houses are being considered for entering the sector. Earlier, new banks had been allowed to be set up on the basis of 1993 guidelines and 2001 norms.

While the banking regulator has not set a timeline by when it will issue the licences, finance ministry officials indicate those are likely to be given by the end of the current financial year.

After the expiry of the deadline on Monday, the applications will now be screened by RBI to ensure prima facie eligibility of applicants. After the screening, the applications will be referred to a high-level advisory panel to be set up by RBI. The committee will comprise eminent people with experience in the banking & financial sector and other relevant areas. The constitution of the committee, which could ask for more information from the applicants, has yet to be announced.

The high-level panel will submit its recommendations to RBI for consideration. After getting in-principle approval, an entity will get 18 months to set up a bank. RBI had also clarified that new banks will have to comply with all the norms regarding reserve requirements and priority sector from their inception.

According to RBI, private players aspiring to enter the banking space need to create a non-operative financial holding company (NOFHC).

“The requirement is that not less than 51 per cent of the voting equity shares of the NOFHC shall be held by companies in the promoter group, in which the public hold not less than 51 per cent of the voting equity of such companies,” RBI had said in its clarifications on final guidelines for new banking licences.

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