

RBI LAYS DOWN GUIDELINES FOR PAYMENTS BANKS' SFB LICENCE

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Payments banks willing to convert themselves into small finance banks (SFBs) can apply for such a licence only after five years of operations, the Reserve Bank of India (RBI) said on Thursday in the final guidelines on on-tap licensing for SFBs.

“Existing payments banks (PBs), which are controlled by residents and have completed five years of operations, are also eligible for conversion into small finance banks after complying with all legal and regulatory requirements of various authorities and if they conform to these guidelines,” the norms said.

The minimum capital for setting up an SFB has been mandated at Rs. 200 crore, the RBI said, adding for primary (urban) co-operative banks (UCBs), which wish to become SFBs, the initial requirement of net worth will be Rs. 100 crore, which will have to be increased to Rs. 200 crore within five years from the date of commencement of business.

Separately, the banking regulator said, to reduce the concentration risk in the exposures of primary (urban) co-operative banks and to further strengthen the role of UCBs in promoting financial inclusion, certain regulations will be amended.

“The guidelines would primarily relate to exposure norms for single and group/interconnected borrowers, promotion of financial inclusion, priority sector lending, etc,” the Reserve Bank said. A draft circular proposing the changes will be issued shortly.

The banking regulator also added that it decided to bring UCBs with assets of Rs. 500 crore and above, under the reporting framework of the Central Repository of Information on Large Credits (CRILC).

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