

भारतीय रिज़र्व बैंक .RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2019-20/196

DOR.NBD.No.44/16.13.218/2019-20

March 28, 2020

Managing Director and Chief Executive Officers of Small Finance Banks

Madam / Dear Sir,

'Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014 – Modifications to existing norms

Please refer to the '<u>Guidelines for Licensing of Small Finance Banks in Private Sector' dated November 27, 2014</u> under which licenses were issued to 10 Small Finance Banks (SFBs) and the '<u>Guidelines for 'on-tap' Licensing of Small Finance Banks in Private Sector' released</u> by Reserve Bank on December 5, 2019.

- 2. To harmonise the instructions for existing SFBs with those SFBs to be licensed under 'Guidelines for 'on-tap' Licensing', it has been decided to:
 - a) Grant general permission to all existing SFBs to open banking outlets subject to adherence to Unbanked Rural Centre norms as per RBI <u>circular on 'Rationalisation</u> <u>of Branch Authorisation Policy - Revision of Guidelines' dated May 18, 2017</u>, as amended from time to time.
 - b) Exempt all existing SFBs from seeking prior approval of Reserve Bank for undertaking such non risk sharing simple financial service activities, which do not require any commitment of own fund, after three years of commencement of business of SFB.
- 3. Further, in case of existing SFBs, it is clarified that
 - a) Whether a promoter could cease to be a promoter or could exit from the bank after completion of a period of five years, would depend on the RBI's regulatory and supervisory comfort / discomfort and SEBI regulations in this regard at that time (Reference: Response to query number 101 of 'Clarifications to queries on quidelines for licensing of Small Finance Banks in the Private Sector' dated January 1, 2015).

- b) The phrase 'paid-up equity capital' in 'Guidelines for Licensing of SFBs in Private Sector 2014' means 'paid-up voting equity capital' (Reference: Response to query number 104 of 'Clarifications to queries on guidelines for licensing of Small Finance Banks in the Private Sector' dated January 1, 2015).
- 4. The provisions of this circular shall come into force with immediate effect.

Yours faithfully,

(Shrimohan Yadav)

Chief General Manager