



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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November 27, 2014

RBI releases Guidelines for Licensing of Payments Banks

The Reserve Bank of India (RBI) released on its website today, the [Guidelines for Licensing of Payments Banks](#).

Key features of the Payments Banks guidelines are:

i) Objectives:

The objectives of setting up of payments banks will be to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.

ii) Eligible promoters :

- a. Existing non-bank Pre-paid Payment Instrument (PPI) issuers; and other entities such as individuals / professionals; Non-Banking Finance Companies (NBFCs), corporate Business Correspondents(BCs), mobile telephone companies, super-market chains, companies, real sector cooperatives; that are owned and controlled by residents; and public sector entities may apply to set up payments banks.
- b. A promoter/promoter group can have a joint venture with an existing scheduled commercial bank to set up a payments bank. However, scheduled commercial bank can take equity stake in a payments bank to the extent permitted under Section 19 (2) of the Banking Regulation Act, 1949.
- c. Promoter/promoter groups should be 'fit and proper' with a sound track record of professional experience or running their businesses for at least a period of five years in order to be eligible to promote payments banks.

iii) Scope of activities :

- a. Acceptance of demand deposits. Payments bank will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
- b. Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.
- c. Payments and remittance services through various channels.
- d. BC of another bank, subject to the Reserve Bank guidelines on BCs.

- e. Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.

iv) **Deployment of funds :**

- a. The payments bank cannot undertake lending activities.
- b. Apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand and time liabilities, it will be required to invest minimum 75 per cent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25 per cent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

v) **Capital requirement :**

The minimum paid-up equity capital for payments banks shall be Rs. 100 crore.

- a. The payments bank should have a leverage ratio of not less than 3 per cent, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).

vi) **Promoter's contribution:** The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at least be 40 per cent for the first five years from the commencement of its business.

vii) **Foreign shareholding:** The foreign shareholding in the payments bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

viii) **Other conditions :**

- a. The operations of the bank should be fully networked and technology driven from the beginning, conforming to generally accepted standards and norms.
- b. The bank should have a high powered Customer Grievances Cell to handle customer complaints.

ix) **Procedure for application:** In terms of Rule 11 of the Banking Regulation (Companies) Rules, 1949, applications shall be submitted in the prescribed form (Form III) to the Chief General Manager, Department of Banking Regulation, Reserve Bank of India, 13th Floor, Central Office Building, Mumbai – 400 001. In addition, the applicants should furnish the business plan and other requisite information as indicated. Applications will be accepted till the close of business as on January 16, 2015. After experience gained in dealing with payments banks, applications will be received on a continuous basis. However, these guidelines are subject to periodic review and revision.

x) **Procedure for RBI decisions:**

- a. An External Advisory Committee (EAC) comprising eminent professionals like bankers, chartered accountants, finance professionals, etc., will evaluate the applications.
- b. The decision to issue an in-principle approval for setting up of a bank will be taken by the Reserve Bank. The Reserve Bank's decision in this regard will be final.

- c. The validity of the in-principle approval issued by the Reserve Bank will be eighteen months.
- d. The names of applicants for bank licences will be placed on the Reserve Bank website.

Background

It may be recalled that in the Union Budget 2014-2015 presented on July 10, 2014, the Hon'ble Finance Minister announced that:

“After making suitable changes to current framework, a structure will be put in place for continuous authorization of universal banks in the private sector in the current financial year. RBI will create a framework for licensing small banks and other differentiated banks. Differentiated banks serving niche interests, local area banks, payment banks etc. are contemplated to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force”.

Accordingly, the [Reserve Bank formulated and released for public comments draft guidelines for licensing of payments banks in the private sector on July 17, 2014.](#)

Several comments and suggestions were received from interested parties and public on the draft guidelines. Considering the feedback received, the guidelines on payments banks have been finalised.

Press Release : 2014-2015/1089

Alpana Killawala
Principal Chief General Manager

Related Press Releases	
Feb 04, 2015	RBI releases Names of Applicants of Small Finance Banks and Payments Banks
Feb 04, 2015	RBI announces External Advisory Committee for evaluating Applications of Small Finance Banks and Payments Banks
Jan 01, 2015	RBI extends last date of receipt of applications for Licensing of Small Finance Banks and Payments Banks
Jan 01, 2015	Clarifications to the queries on the Guidelines for Licensing of Small Finance Banks and Payments Banks Form III - Form of application for a licence to commence banking business by a company incorporated in India and desiring to commence banking business
Dec 08, 2014	RBI to post on its Website Clarifications on Guidelines on Licensing of Small Finance Banks and Payments Banks
Nov 27, 2014	RBI releases Guidelines for Licensing of Small Finance Banks in the Private Sector
Jul 17, 2014	RBI releases Draft Guidelines for Licensing of Payments Banks and Small Banks