

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3446
ANSWERED ON:15.12.2006
GUIDELINES ON FOREIGN BANKS
Aaron Rashid Shri J.M.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has recently issued guidelines on foreign bank's exposure in Non-Banking Financial Institutions (NBFIs);
- (b) if so, the details in this regard,
- (c) whether many foreign banks have violated the policy of RBI during the last one year: and
- (d) if so, the action taken against those banks?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

- (a) & (b) : As per guidelines on 'Financial Regulation of Systemically Important Non-Banking Financial Companies and Banks' Relationship with them', issued by Reserve Bank of India on December 12, 2006, banks, including foreign banks, may assume exposure on a single Non-Banking Financial Company (NBFC)/NBFC-Asset finance Company(AFC) up to 15%/20% respectively, of their capital funds provided the exposure in excess of 10%/15% respectively, is on account of funds on-lent by the NBFC/NBFC-AFC to infrastructure sector. Further, banks may also consider fixing internal limits for their aggregate exposure to all NBFCs put together.
- (c) & (d) : Do not arise since the aforesaid guidelines have come into effect only on December 12, 2006.