

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3440

ANSWERED ON:05.08.2016

Foreign Banks

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the foreign banks have stopped opening branches in India as they need to set aside a lot more capital due to the country's higher risk credit rating and if so, the details thereof;
- (b) whether foreign banks have been exempted from Priority Sector lending and if so, the details thereof;
- (c) whether the Government has received any proposal from foreign banks regarding opening of their branches in India if so, the details thereof, bank/State-wise during the last three years;
- (d) the criterion has been set regarding opening of foreign banks branches in the country; and
- (e) the steps taken/being taken by the Government to keep a tab on the money laundering in foreign banks?

**Answer**

The Minister of State in the Ministry of Finance

- (a): Reserve Bank of India (RBI) has informed that there is no indication of significant reduction in opening fresh branches by foreign banks as a whole. The number of foreign banks branches/representative offices opened during the last three years was 7 in 2013, 5 in 2014 and 7 in 2015 respectively.
- (b): RBI has informed that foreign banks have not been exempted from Priority Sector lending.
- (c): During the last three years RBI had received proposals from foreign banks for opening branches in India, both for maiden presence as branch and as Wholly Owned Subsidiary and branch expansion. The details are given at Annexure.
- (d): RBI has informed that the applications of the foreign banks to open bank branch are examined keeping in view of satisfactory position with regard to various parameters including background information, financial performance of the overseas operations, compliance with regulatory requirements, reciprocity, adoption of international standards by bank and financial position of the parent bank.
- (e): For implementation of the Prevention of Money Laundering Act and Rules, etc. RBI has been issuing instructions to banks and other Regulated Entities (REs). These instructions have been included in RBI's Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016 on Know Your Customer Norms. In terms of this Master Direction, the Regulated Entities (REs) of the RBI, including the banks, are required to follow certain customer identification procedure while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions. RBI has also issued Master Direction on "Frauds – Classification and reporting" vide RBI.DBS.CFMC.BC.No.1/ 23.04.001/2016-17 dated July 01, 2016 containing all the details / aspects relating to frauds.

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