



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

DBR. IBD. No.5351/23.13.043/2017-18

December 6, 2017

The Director,
SBM Bank (India) Limited
101, Raheja Centre,
1st Floor, Free Press Journal Marg
Nariman Point
Mumbai - 400021

Dear Sir

Licence to commence banking business in India through Wholly Owned Subsidiary (WOS) mode

Please refer to our letter DBR.IBD.No.14811/23.13.043/2014-15 dated April 7, 2015 granting 'in principle' approval to SBM Bank (Mauritius) Limited, Mauritius for establishing a Wholly Owned Subsidiary (WOS) in India for carrying on banking business and your application dated April 6, 2017 requesting us for issuance of banking licence under section 22(1) of the Banking Regulation Act, 1949 to the WOS, since incorporated as a public limited company under the Companies Act, 2013.

2. In this connection, we enclose a licence No.MUM:137 authorising SBM Bank (India) Limited to commence banking business as WOS of SBM Bank (Mauritius) Ltd., Mauritius, in India. The licence is given only for the purpose of amalgamation of existing branches of the bank and for functioning as a full-fledged subsidiary and in case there is a failure on the part of the bank to complete the process of amalgamation within a period of six months from the date of issue of the licence, the licence shall stand cancelled.

3. It may be noted that SBM Bank (Mauritius) Ltd., the parent of the WOS would temporarily be, present in India both in branch mode and subsidiary mode till the amalgamation of existing branches with the WOS. In the given circumstances, we are agreeable for according temporary dispensation to the bank from our extant policy on one mode of presence for six months from the date of issue of the licence.

बैंकिंग विनियमन विभाग, केंद्रीय कार्यालय, 13वीं मंजिल, केंद्रीय कार्यालय भवन, शाहीद भगत सिंह मार्ग, मुंबई 400001
Department of Banking Regulation, Central Office, 13th Floor, Central Office Bhavan, S B S Marg, Mumbai - 400001
Tel No: 22602358 Fax No: 022- 2260 5692 e-mail:cgmicdbr@rbi.org.in

हिंदी आस्न है, बसका प्रयोग बल्लार

4. The SBM Bank (India) Ltd. should obtain approval of Reserve Bank of India, Department of Banking Regulation (Appointments Division), Central Office, Mumbai for appointment of its part time Chairman, Managing Director & Chief Executive Officer and other members of the Board of Directors before commencement of the business in WOS mode.

5. The licence or a certified copy thereof shall be displayed at the registered office of the bank in India from the date of commencement of business.

6. If the WOS is to indicate directly or indirectly in any advertisement that the permission of the RBI has been obtained for carrying on banking business, the following words shall be used: "A licence authorizing the bank to carry on banking business has been obtained from the RBI in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the licence, the RBI does not undertake any responsibility for the financial soundness of the bank or for the correctness of any of the statements made or opinions expressed in this connection".

7. The branch authorisation will largely be as allowed to domestic scheduled commercial banks. However, the Reserve Bank/Government of India reserves the right to apply such restrictions with regard to policy for Branch Authorisation as may be considered appropriate.

8. All instructions issued to domestic scheduled commercial banks in India will apply to the WOS unless stated otherwise.

9. Further, the term 'foreign bank' would refer to foreign bank present in India in branch mode. Consequently, the application of rules and regulations or any exceptions thereto for foreign banks in India will not apply to WOS unless otherwise specified.

10. The licence to SBM Bank (India) Limited is subject to compliance with the above conditions and continued compliance with other terms and conditions listed in the Annex and those that may be imposed by RBI from time to time.

11. Please acknowledge receipt.

Yours faithfully



(Prakash Baliarsingh)
Chief General Manager

Enclosures:

1. Annex containing terms and conditions
2. Licence No. MUM: 137(in original)



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Terms and conditions of the licence issued to SBM Bank (India) Limited to commence banking business in India under section 22(1) of the Banking Regulation Act, 1949

Annex

Statutory, Regulatory, Prudential and other requirements

SBM Bank (India) Limited (hereinafter referred to as 'the bank') will be governed by the provisions of the Banking Regulation Act, 1949, Reserve Bank of India Act, 1934, Foreign Exchange Management Act, 1999, Payment and Settlement Systems Act, 2007, Framework for Setting up of Wholly Owned Subsidiaries (WOS) by Foreign Banks in India dated November 6, 2013, other relevant statutes and directives, prudential regulations and other guidelines / instructions issued by the Reserve Bank of India and other regulators from time to time, if applicable.

2. Minimum capital requirement

(a) (i) The bank shall convert the capital of its parent's branch banking operations in India into its own capital. The components, elements and eligibility criteria of the regulatory capital instruments¹ for the bank would be as applicable to the other domestic banks as stipulated in the Master Circular on Basel III Capital Regulations as amended from time to time.

(ii) It shall have a minimum net worth² of Rs. 5 billion.

(iii) If the net worth, upon conversion, is less than the minimum capital prescribed under these guidelines, the shortfall has to be brought in, through infusion of equity, upfront from the parent as inward remittance.

¹ The elements and eligibility criteria of regulatory capital instruments for existing foreign bank branches are different from those applicable to domestic banks. Accordingly, conversion of branches of an existing foreign bank into WOS would require re-organisation of the capital structure. The WOS would be allowed to repatriate the ineligible regulatory capital to its parent with prior approval of RBI.

² Net worth would comprise Paid-up capital plus Free Reserves including Share Premium but excluding Revaluation Reserves, plus Investment Reserve and credit balance in Profit & Loss account, less debit balance in Profit and Loss account, Accumulated Losses and Intangible Assets. No general or specific provisions should be included in computation of net worth.





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(iv) The bank shall meet the Basel III requirements on a continuous basis from the time of its conversion³. The bank shall, however, maintain a minimum capital adequacy ratio, on a continuous basis for an initial period of 3 years from the commencement of its operations at 10 per cent i.e. 1 per cent higher than that required under the phased implementation of Basel III⁴. In addition, the bank shall also maintain capital conservation buffer and countercyclical buffer as applicable under extant capital adequacy framework.

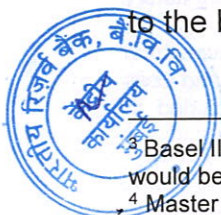
(b) Raising of Non-equity capital in India

The bank may raise rupee resources through issue of non-equity capital instruments, as allowed to domestic banks.

3. Corporate Governance

(a) The composition of the board of directors of the bank should meet the following requirements:

- (i) not less than 51 percent of the total number of members of the board of directors shall consist of persons as defined under Section 10A of the Banking Regulation Act, 1949;
- (ii) not less than two-thirds of the directors should be non-executive directors;
- (iii) not less than one-third of the directors should be independent of the management of the subsidiary in India, its parent and any subsidiary or other associate of the bank's parent;
- (iv) not less than 50 per cent of the directors should be Indian nationals /NRIs /PIOs subject to the condition that one-third of the directors are Indian nationals resident in India.
- (v) All other provisions of the Banking Regulation Act, 1949 in respect of composition of board of directors, as applicable to private sector banks in India would also be applicable to the bank.



³ Basel III Capital Regulations have been implemented in India from April 1, 2013 in phases. The Basel III capital ratios would be fully implemented as on March 31, 2019.

⁴ Master Circular DBOD.No.BP.BC.2 /21.06.201/2013-14 dated July 1, 2013 on Basel III Capital Regulations. Banks operating in India are required to maintain a minimum capital to risk-weighted assets ratio (CRAR) of 9% (other than capital conservation buffer and countercyclical capital buffer, etc.) on an on-going basis.



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(b) The bank will have a part-time Chairman and a full time Managing Director & Chief Executive Officer (CEO)

(c) RBI's approval for appointment / re-appointment, etc. of the part-time Chairman (non-executive director) should be obtained in terms of Section 10B (1A) of the Banking Regulation Act, 1949

(d) RBI's approval for appointment/re-appointment, etc. of the Managing Director & CEO/ Whole Time Directors including remuneration and other terms of appointment should be obtained in terms of Section 35B of the Banking Regulation Act, 1949.

(e) The Guidelines on Compensation of Whole Time Directors /Chief Executive Officers, etc. issued in terms of RBI circular DBOD No. BC. 72/29.67.001/11-12 dated January 13, 2012 as applicable to private sector banks in India, would also be applicable to the bank.

(f) The Managing Director & CEO would be appointed on full time basis and should be resident in India.

(g) The directors should conform to the 'Fit and Proper' criteria as laid down in RBI circular DBOD.No.BC.105 /08.139.001 /2003-04 dated June 25, 2004, as amended from time to time.

4. Statutory, regulatory, prudential and other requirements

(i) In case the bank's parent or the group to which it belongs, has NBFCs in India, the regulatory framework for consolidated prudential reporting and supervision, currently applicable to branches of foreign banks as laid down in RBI circular DBOD No. FSD.BC. 46/24.01.028/2006-07 dated December 12, 2006, as amended from time to time, will also be applicable to the bank.

(ii) In case Know Your Customer (KYC)/Anti Money Laundering (AML)/Combating the Financing of Terrorism (CFT) deficiencies are found in respect of the home country of the bank, it would be subjected to enhanced prudential requirements.





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5. Branch expansion / authorization

The extant guidelines on branch authorisation applicable to domestic scheduled commercial banks would generally be applicable to the bank subject to restrictions indicated below:

- (i) This general permission would be subject to compliance with the parameters stated in the RBI circular DBR.No.BAPD.BC.69/22.01.001/2016-17 dated May 18, 2017 as well as regulatory/supervisory comfort in respect of the bank. RBI will have the option to withhold the general permission to the bank if it fails to meet the above mentioned criteria along with taking penal measures against the bank if it failed to meet the inclusion obligations.
- (ii) The Reserve Bank/Government of India reserves the right to apply such restrictions with regard to Branch Authorisation as may be considered appropriate.
- (iii) The bank will require prior approval of RBI for opening branches in Jammu & Kashmir and North Eastern states.

6. Priority sector lending requirement for WOS

- (i) The bank shall comply with the priority sector lending requirements as applicable to domestic banks as laid down in circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015 on Priority Sector Lending – Targets and Classification as amended from time to time.
- (ii) Relaxation, upto a maximum period of five years based on the action plan submitted by the bank to RBI would be available to the bank to achieve priority sector targets and sub-targets from the date of conversion into a WOS.

7. Use of credit rating and parent/head office support

On arm's length basis, the bank would be permitted to use parental guarantees/credit rating only for the purpose of providing custodial services and for international operations. However, the bank should not provide counter guarantee to its parent for such support.





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8. Declaration of dividends

The bank, being a company incorporated in India, may declare dividend like domestic banks subject to criteria laid down in RBI circular DBOD.No.BP.BC. 88/ 21.02.067/2004/05 dated May 04, 2005 as amended from time to time which may be repatriated as per the provisions of FEMA 1999.

9. Investment by the bank in subsidiaries and other companies

(i) The investment in subsidiaries and other companies by the bank would be guided by the extant instructions on para-banking activities by banks, contained in RBI Master Direction **Reserve Bank of India (Financial Services provided by Banks) Directions, 2016**. However, RBI does not encourage setting up of subsidiaries or significant investment in associates for activities that can be undertaken within the bank. Accordingly, in the case of WOS, approval for setting up subsidiaries or significant investment in associates will also factor in whether there are NBFCs set up by the parent banking group under FDI rules for undertaking same or similar activity.

(ii) The bank shall maintain arm's length relationship with parent's group entities⁵.

(iii) In taking a view on whether an entity belongs to a particular parent group or whether the entities are linked / related to the parent group, the decision of RBI shall be final.

10. Other conditions

(i) The bank, from inception, would be required to operate on Core Banking Solution (CBS) platform.

(ii) The bank shall make full use of modern infrastructural facilities in office equipments, computers, telecommunications etc. in order to provide cost-effective customer service. It should have a high powered Customer Grievances Cell to handle customer complaints.

(iii) The bank would be covered by the provisions of the Banking Ombudsman Scheme, 2006 as amended from time to time.

⁵ For definition of Group entities, reference may be made to para 15(d) of The Scheme for setting up of Wholly Owned Subsidiaries (WOS) by foreign banks in India dated November 6, 2013.





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11. RBI reserves the right to add to or amend any of the clauses/conditions in the above guidelines, as may deem necessary, from time to time.





भारतीय रिज़र्व बैंक
बैंकिंग विनियमन विभाग
केन्द्रीय कार्यालय, मुंबई
Reserve Bank of India
Department of Banking Regulation
Central Office
Mumbai

लाइसेंस स.एमयूएम:137

बैंककारी विनियमन अधिनियम 1949 की धारा 22(1) के द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए भारतीय रिज़र्व बैंक एतद्वारा

“एसबीएम बैंक (इंडिया) लिमिटेड”

को इस कार्यालय के पत्र बैंवि.आईबीडी.स.5351/23.13.043/2017-18 दिनांक 6 दिसम्बर 2017 में उल्लिखित शर्तों के आधीन भारत में बैंकिंग व्यवसाय के लिए लाइसेंस प्रदान करता है।

मुंबई

दिनांक : 6 दिसम्बर 2017

सु.मो.परिडा
(एस.एम.परिडा)

महा प्रबन्धक

Licence No: MUM:137

In exercise of the powers conferred on the Reserve Bank of India by section 22(1) of the Banking Regulation Act, 1949,

“SBM Bank (India) Limited”

is hereby granted a licence to carry on banking business in India subject to the terms and conditions mentioned in Reserve Bank of India letter DBR.IBD.No.5351/23.13.043/ 2017-18 dated December 6, 2017.

Mumbai

Dated : December 6, 2017

S.M.Parida

(S.M.Parida)
General Manager

