

Reserve Bank of India
Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies
January 16, 2023

The contents of these Guidelines shall be read along with [Reserve Bank of India \(Acquisition and Holding of Shares or Voting Rights in Banking Companies\) Directions, 2023](#), and applicable provisions of the Banking Regulation Act, 1949.

Prior approval for acquisition of shares or voting rights in a banking company

2. In terms of sub-section (1) of Section 12B of Banking Regulation Act, 1949, every person, who intends to acquire shares or voting rights and intends to be a major shareholder¹ of a banking company, is required to obtain previous approval of the Reserve Bank.

3. The person, who intends to be a major shareholder of a banking company, is required to make an application to the Reserve Bank along with the declaration in [Form A](#). The Reserve Bank would undertake a due diligence to assess the 'fit and proper' status of the applicant. It will be open to the Reserve Bank to seek additional information / documents from the applicant / concerned banking company and make such enquiries with regulators, revenue authorities, investigation agencies, credit rating agencies or any other persons as considered appropriate.

4. While granting approvals, the Reserve Bank may specify conditions under sub-section (4) of Section 12B of B R Act, 1949, including a validity period for completing such acquisition. Subsequent to such acquisition, if at any point in time the aggregate holding² of the person falls below five per cent, as per sub-section (1) of Section 12B of B R Act, 1949, the person will be required to again obtain prior approval from the Reserve Bank to raise the aggregate holding to five per cent or more of total paid-up share capital or voting rights of the banking company.

5. Any person who intends to acquire shares or voting rights in a banking company beyond the limit for which approval was obtained from the Reserve Bank, is required to apply to the Reserve Bank for prior approval to increase their aggregate holding in the banking company.

¹ 'Major shareholder' shall have the same meaning as under the [Reserve Bank of India \(Acquisition and Holding of Shares or Voting Rights in Banking Companies\) Directions, 2023](#)

² 'Aggregate holding' shall have the same meaning as under the [Reserve Bank of India \(Acquisition and Holding of Shares or Voting Rights in Banking Companies\) Directions, 2023](#)

6. The persons from³ Financial Action Task Force (FATF) non-compliant jurisdictions⁴ shall not be permitted to acquire major shareholding in the banking company. However, the existing major shareholders from such FATF non-compliant jurisdictions would be allowed to continue with their investment, provided that there shall not be any further acquisition without prior approval of the Reserve Bank. The Reserve Bank may, however, review the 'fit and proper' status of such holders of shares or voting rights at any point of time and may take steps to limit their voting rights in accordance with law.

Information to be provided for continuous monitoring

7. In addition to furnishing the information sought by the banking company, major shareholders who have completed the approved⁵ acquisition or applicants who have obtained the approval to have major shareholding or applicants who have submitted the application for obtaining the prior approval shall inform the banking company of any change in the information provided in [Form A](#) or any other development which may have a bearing on the 'fit and proper' status.

Limits on shareholding

8. Permission of the Reserve Bank to acquire shares or voting rights in a banking company shall be subject to the following limits:

(a) Non-promoter:

- (i) 10 per cent of the paid-up share capital or voting rights of the banking company in case of natural persons, non-financial institutions, financial institutions directly or indirectly connected with Large Industrial Houses⁶ and financial institutions that are owned to the extent of 50 per cent or more or controlled by individuals (including the relatives and persons acting in concert)⁷, or
- (ii) 15 per cent of the paid-up share capital or voting rights of the banking company in case of financial institutions (excluding those mentioned in paragraph 8(a)(i) above), supranational institutions, public sector undertaking and central/state government.

³ This shall also be applicable to various jurisdictions through which the funds for investments are routed.

⁴ i) High-Risk Jurisdictions subject to a Call for Action, and ii) Jurisdictions under Increased Monitoring.

⁵ The usage of the word 'approved' shall mean approved by the Reserve bank.

⁶ The Guidelines for 'on tap' Licensing of Universal Banks and Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector issued by the Reserve Bank may be referred to.

⁷ The shareholding in banks by such financial institutions would be deemed to be by a natural person for the purpose of these Guidelines

(b) Promoter: 26 per cent of the paid-up share capital or voting rights of the banking company after the completion of 15 years⁸ from commencement of business of the banking company.

9. During the period prior to the completion of the 15 years, the promoters of banking companies may be allowed to hold a higher percentage of shareholding as part of the licensing conditions or as part of the shareholding dilution plan⁹ submitted by the banking company and approved by the Reserve Bank with such conditions as deemed fit.

10. Reserve Bank may also permit higher shareholding [than the limits prescribed in paragraph 8 above] on a case-to-case basis under circumstances such as relinquishment by existing promoters, supervisory intervention including under Prompt Corrective Action, reconstruction/restructuring of banks, entrenchment of existing promoters or any other action in the interest of the banking company and its depositors or in the interest of consolidation in the banking sector, etc. While allowing such higher shareholding, Reserve Bank may impose conditions as deemed fit (including dilution of such higher shareholding within a timeline).

11. In specific cases where State Government / Central Government / Union Territory / Public Sector Undertaking / Public Financial Institution / specifically permitted investors are promoters of banking companies or have been specifically permitted by Reserve Bank to hold a higher shareholding as promoter/non-promoter in certain special circumstances¹⁰, Reserve Bank may prescribe a differentiated shareholding dilution plan for such holdings.

Lock-in requirement

12. In case of a person permitted by the Reserve Bank to have a shareholding of 10 per cent or more of the paid-up equity share capital¹¹ of the banking company but less than 40 per cent of the paid-up equity share capital, the shares acquired shall remain under lock-in for first five years from the date of completion of acquisition. In case of any person permitted to have a shareholding of 40 per cent or more of the paid-up equity share capital of the banking company, only 40 per cent of paid-up equity share capital shall remain under lock-in for first five years from the date of completion of acquisition.

⁸ In case of SFBs which already transited from UCBs the period of 15 years will begin from reaching the net-worth of ₹200 crores.

⁹ to ensure diversified shareholding and is not just limited to promoters but also include non-promoter with shareholding higher than the limits prescribed in paragraph 8(a) of these Guidelines.

¹⁰ Including a scheduled commercial bank which has been specifically permitted to hold equity stake as per the "[Guidelines for Licensing of Payments Banks, 2014](#)"

¹¹ Paid-up voting equity share capital is nothing but 'paid up equity share capital' as preference share capital in banking companies cannot have voting rights as per the BR Act.

13. The shares which are under lock-in, shall not be encumbered under any circumstances. Promoter(s) and promoter group are required to report details of creation/invocation/release of encumbrance on shares which are not under lock-in to the banking company within two working days of such an event in the format specified in [Form B](#) as given in these Guidelines.

14. After the end of the lock-in period, there is no requirement for any minimum shareholding.

Ceiling on voting rights

15. As per the provisions of sub-section (2) of Section 12 of B R Act, 1949, read with gazette notification DBR.PSBD.No.1084/16.13.100/2016-17 dated July 21, 2016, no shareholder in a banking company can exercise voting rights on poll in excess of 26 per cent of total voting rights¹² of all the shareholders of the banking company.

16. A Depository can exercise voting rights on behalf of the Depository Receipts (DR) holder only in cases where it can be demonstrated that their holdings on behalf of DR holder is in conformity with Section 12B of B R Act, 1949, and the Depository exercises voting rights pursuant to voting instructions from the DR holder. The changes in the depository agreements shall require the prior approval of the Reserve Bank.

17. In case of person(s) holding beneficial interest¹³ attached to shares, the voting rights can be exercised only in cases where it can be demonstrated that the aggregate holding is in conformity with Section 12B of B R Act, 1949.

18. A person can exercise voting rights on behalf of registered shareholders only in cases where it can be demonstrated that their aggregate voting rights is in conformity with Section 12B of B R Act, 1949.

19. Any major shareholder¹⁴ who is covered by sub-section (3) of section 12B of the B R Act, 1949, and has not obtained prior approval of the Reserve Bank, can exercise voting rights only after obtaining the approval of Reserve Bank for major shareholding.

¹² This shall include voting rights against all shares issued by the banking company and is not restricted to 'exercisable' voting rights arrived at after cutting off the rights beyond the maximum limit that can be exercised by a single holder. Thus, the percentage of voting rights exercisable has to be worked out in relation to the total number of shares carrying voting rights assuming that there are no restrictions.

¹³ Beneficial interest has the same meaning as stated in Section 89 of the Companies Act, 2013 and rules framed thereunder.

¹⁴ Includes acquisition of shares or entitlement to exercise voting rights in cases involving invocation of encumbrance of shares.

FORM A

Declaration to be submitted by the applicants

Name of the banking company in which acquisition is sought:

Sr. No.	Nature of declaration	Declaration/Comments
1	Name of the applicant (including previous names, if any)	
2	Promoter of the applicant, if any	
3	Present and permanent address of the applicant	
4	Significant Beneficial Owner (SBO) ¹⁵ of the applicant	
5	Citizenship and Resident status [in case of an individual; ownership and control status in case of an entity (as per FEMA)].	
6	Occupation of the applicant (individual) / Nature of business of the entity including the category of applicant i.e., Financial institution / non-financial institution / supra national institutions / public sector undertaking / Government	
7	If the applicant is an entity, list of persons holding one per cent or more of the shareholding / voting rights in the applicant	
8	Details of "proposed acquisition" by the applicant and "existing aggregate holding" in the banking company (name of the shareholder with number of shares, percentage of paid up share capital and percentage of voting rights).	
9	a) List of "relatives" of the applicant b) List of "persons acting in concert" with the applicant c) List of "associate enterprises" of the applicant with their name, shareholding / voting rights (if any) in the banking company in number and percentage of total paid-up share capital or voting rights.	
10	Details of the applicant and persons listed at Sr. No. 9 above regarding - date of birth / incorporation, Registered Office address, nature of business activity, PAN no., TAN No., CIN No. / DIN No., income tax circle, name of the regulator, type of registration, bank, branch and account number (including credit facilities and non-fund-based facilities), net worth, total assets, credit rating / credit score. (May be given in a separate annexure)	
11	Source of funds for proposed acquisition of aggregate holding in the banking company (Duly certified by the Chartered Accountant)	
12	Total net worth, assets, profitability and average income of the applicant over the last five years (Duly certified by the Chartered Accountant).	

¹⁵ SBO shall have the same meaning as under the [Reserve Bank of India \(Acquisition and Holding of Shares or Voting Rights in Banking Companies\) Directions, 2023](#)

Sr. No.	Nature of declaration	Declaration/Comments
13	A summary of agreement/shareholder agreement (May be given in annexure with a copy of the agreement)	
14	Whether the applicant or any of the persons / entities listed at Sr. No. 9 above been adjudged insolvent at any time?	
15	If the applicant, or any of the persons listed at Sr. No. 9 above is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him / her or whether he/ she has been banned from entry into/ continuing in any profession / occupation at any time.	
16	Whether the applicant or any of the persons listed at Sr. No. 9 above been subject to any investigation by any government department or agency, including issuance of Show Cause Notice? (Though it shall not be necessary for a person to mention in the column about orders and findings made by regulators which have been later reversed / set aside in toto, it would be necessary to make a mention of the same in case the reversal / setting aside is on technical reasons like limitation or lack of jurisdiction, etc., and not on merit. If the order of the regulator is temporarily stayed and the appellate / court proceedings are pending, the same should also be mentioned).	
17	Details of adverse notice of any authority/ regulator including show cause notice or disciplinary action or prosecution, if any, pending or commenced or resulting in conviction in the past against any of the persons listed at Sr. No. 9 above for violation of any laws, rules and/or regulations.	
18	In case of non-resident investors, whether the proposed acquisition/ investment is in compliance with the relevant provisions of FEMA, 1999 and the rules/regulations framed thereunder?	
19	Whether the applicant, or persons/ listed at Sr. No. 9 above has been convicted for any offence under any legislation designed to protect members of the public from financial loss due to dishonesty, incompetence or malpractice?	
20	Whether any other person has beneficial interest in the proposed acquisition/existing holding (if applicable)?	
21	Details of shareholding / voting rights / compulsorily convertible debentures / bonds of the applicant, his relatives, associate enterprises and persons acting in concert in other banks and other financial institutions.	
22	If the applicant or persons/entities listed in at Sr.No. 9 above are a regulated entity, names and addresses of their regulators in India and abroad.	

Sr. No.	Nature of declaration	Declaration/Comments
23	Whether the applicant or persons/entities listed in at Sr. No. 9 above is a financial institution / supranational institution / Government / public sector undertaking?	
24	Whether the applicant or persons/entities listed in at Sr. No. 9 above is listed? If yes, mention stock exchanges and the extent of public shareholding?	
25	Income Tax returns and financial statements of the applicant for the last three years (To be attached).	
26	Any other explanation / information regarding items above considered relevant for assessing "fit and proper" status of the applicant and persons/entities listed at Sr. No. 9 above.	
27	Whether the applicant intends to have a Board representation in the banking company?	
28	Timeline by which the applicant intends to complete the proposed acquisition of shareholding in the bank.	
29	Purpose for acquiring shareholding or voting rights in the banking company.	
30	Where there are more than two layers between the applicant and the ultimate beneficial owners? The reasons for such layering.	
31	Whether the proposed investment is from or through FATF non-compliant jurisdictions?	
Additional information to be submitted by the applicants/persons/major shareholder intending to acquire aggregate holding of 10 percent or more in the banking company		
32	Details of capital raised by the applicant during the past five years	
33	a) List of persons / entities which hold 10 per cent or more of the paid-up share capital of the applicant. b) List of HUFs¹⁶ where the applicant or his family member is a member / Karta. c) List of entities in which the HUF at (b) above is holding 10 per cent or more of the paid-up share capital of that entity. d) List of entities in which the applicant is holding 10 per cent or more of the paid-up share capital of such entities. e) Entities, if any, in which the applicant is considered as being interested [Refer Section 184 of Companies Act, 2013]. f) Entities where there are common shareholders of the applicant who hold 20 per cent or more of the paid-up share capital of the applicant and also those entities.	

¹⁶ Only if eligible to hold 10 per cent or more of the shareholding as per the Guidelines.

Sr. No.	Nature of declaration	Declaration/Comments
	g) Joint Venture / Associates (defined under relevant accounting standards) of the applicant. h) Related parties (includes both as defined under Companies Act, 2013/ SEBI LODR and relevant Accounting Standard) of the applicant. i) Entities in which the collective shareholding, by the applicant and persons / entities listed at Sr. No. 9 and from (a) to (h) above, is 10 per cent or more of the paid-up share capital of that entity. j) Entities in which persons / entities listed at Sr. No. 9 and from (a) to (i) above have individually or collectively divested their shareholding to the extent of 10 per cent or more in the past five years.	
34	Details of “acquisition” and “aggregate holding” by persons / entities listed at Sr.No. 33 above (details of - name, shareholding in number of shares and percentage of paid-up share capital and voting rights in the concerned banking company).	
35	Whether the applicant, or any of the persons listed at Sr. No. 33 above been adjudged insolvent at any time?	
36	If any of the persons listed at Sr. No. 33 above is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him / her or whether he / she has been banned from entry into/ continuing in any profession / occupation at any time	
37	Have any of the entities listed at Sr. No. 33 above been subject to any investigation at the instance of any government department or agency? If yes, give full details, with latest status.	
38	Details of adverse notice of any authority / regulator including show cause notice or disciplinary action or prosecution, if any, pending or commenced or resulting in conviction in the past against the persons listed at Sr. No. 33 above for violation of any law, rules and/or regulations. (Though it shall not be necessary for a person to mention in the column about orders and findings made by regulators which have been later on reversed / set aside in toto, it would be necessary to make a mention of the same, in case the reversal / setting aside is on technical reasons like limitation or lack of jurisdiction, etc, and not on merit. If the order of the regulator is temporarily stayed and the appellate / court proceedings are pending, the same also should be mentioned).	

Sr. No.	Nature of declaration	Declaration/Comments
39	Whether any of the persons / entities at Sr. No. 33 above has been convicted for any offence under any legislation designed to protect members of the public from financial loss due to dishonesty, incompetence or malpractice?	
40	Details of representation of the applicant on the Boards of other banks and other institutions in the financial sector.	
41	Whether the applicant is directly or indirectly connected to a Large Industrial House?	
42	Tabulation of details of the date of incorporation, PAN/TAN No., CIN No., DIN No., Registered Office address, nature of business activity, income tax circle, name of the regulator, type of registration, if any, bank, branch and account number (including credit facilities and non-fund based facilities), net worth and total of the entities listed in 33 above (May be given in a separate annexure).	
43	Financial statements of the major entities listed at Sr. No. 33 above (covering at least 50 per cent of the group's total assets) in the group for the last three years.	
44	The business record and experience of the applicant including any experience of acquisition of companies / business.	
45	Any other explanation / information in regard to items above considered relevant for assessing "fit and proper" status of the entities listed at Sr. No. 33 above.	

Undertaking

I confirm that the above information is to the best of my knowledge and belief, true and complete.

I undertake to keep the banking company fully informed, as soon as possible, of all events which take place subsequent to submission of this declaration which are relevant to the information provided above.

Name of the authorized signatory

Signature and stamp of the applicant/authorised representative of applicant

Place:

Date:

Form B**Creation / invocation / release of encumbrance of shares****Name of the banking company:****Date of reporting:**

Name of the promoter/promoter group whose shares have been encumbered		
Promoter / Promoter Group holding in the banking company	No. of shares	
	As a percentage of paid-up share capital of the banking company	
Promoter / Promoter Group holdings in the bank which are already encumbered	No. of shares	
	As percentage of total paid-up share capital of the banking company	
Date of creation / invocation / release of encumbrance (strike off the not applicable event)		
Details of creation of encumbrance	No. of shares encumbered	
	Percentage of total paid-up share capital of the bank encumbered	
	Name of the person in whose favor shares have been encumbered	
	Name of the person with whom the voting rights are vested	
	Purpose of raising funds	
Details of invocation of encumbrance such as name of the person who invoked, no. of share subjected to invocation, etc.		
Post event of creation / release / invocation	Number of shares continue to be encumbered by promoter and promoter group	
	Percentage of paid-up share capital of the banking company continue to be encumbered by promoter and promoter group	

(Name and signature of the authorised signatory)**Date:****Place:**

Related Links	
January 16, 2023	<u>Master Direction – Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023</u>
November 26, 2021	<u>Recommendations of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks</u>