RBI panel wants central bank to regulate all financial groups

Mumbai: A working group of the Central Bank of India on Monday proposed that should in all major financial centers in groups under a financial holding company (FHC) to carry out structural and regulated by the Reserve Bank of India (RBI), not even when n has one Bank in their lap.

Such a decision could set the central bank in conflict with a new super-regulator by the Ministry of Finance.

There should be a separate legal framework and a new law for such holding companies and, if necessary should, changes in laws in public sector banks, the Companies Act and other applicable laws are made, the panel suggested.

The central bank, which published the report on its website, requested comments on the proposal until the end of June

The committee suggested that a separate unit within the RBI should be the regulator. He can the staff of the Central Bank and other regulatory authorities and the framework should also include a mechanism for consolidated supervision by formalizing an agreement between the supervisory authorities, said the panel.

Law on financial holding companies should be empowered to other laws in conflict and RBI should be named as a controller for they have to do without, it said.

In a way, he wants the position so-called super-regulator RBI and blunt the power of the Financial Stability and Development (FSDC), a new international regulatory authority under the chairmanship of the Minister of Finance. FSDC was first proposed in the 2010 budget and came into force in July this year. The working group was established in June

A model of a holding company under the Working Group provides the differentiation in the regulatory approach is needed to help businesses get vis-à-vis individual units and allow for better supervision of financial groups.

The recommendations of the working group will be the assessment of risks with capital in several companies within a financial conglomerate associated improve, said Monish Shah, director of accounting and consulting firm Deloitte Touche Tohmatsu India Pvt. Ltd.

While some analysts that the proposals concerning the creation of the structure of the FHC is a step in the right direction, asked a few, have a clear framework to be necessary to ensure that regulatory authorities would not step on toes.

“The report is only a first step towards the ultimate goal of the consolidation of financial firms in a joint,” said Karan Kalra, a senior member of the banking and finance team in the Mumbai firm Nishith Desai Associates are based. “There is a certain skepticism about how regulatory authorities are grouped together under the current report. There should be a framework developed by them, without the autonomy of the individual function.”

Viruses Mehta, director and audit firm Ernst & Young Consulting India Pvt. Ltd., told an oversight board was full of supervision would be an advantage, even if RBI still need to work closely together with FSDC.

“I hope that future policy decisions would be congruent and consistent, without rotated in different directions,” he said. “It would be much more independent companies in vertical markets such as insurance and securities, regulated only by the respective regulatory authorities, such as IrDA (Insurance Regulatory and Development Authority), or Sebi (Securities and Exchange Board of India). There must be similarity in the thinking process that can be facilitated by FSDC. ”

Before the proposals for standards can be, they must be accepted by RBI and it is unlikely that this can be implemented without consultation with the supervisory authorities.

In the meantime, a separate law, said the working group that the model should be operationalized FHC under the provisions of the Reserve Bank of India Act, and such entities will be registered as a non-banking financial company with RBI.

FHC must have a non-operational but should be able to conduct all financial activities through subsidiaries. What it can and can not be fixed by RBI.

To ensure that holding companies with banking operations to continue more on this focus, “it would be necessary to establish a limit to the expansion of non-banks”, while “growth, the Bank of by these groups in promoting the growth of non- -banking businesses is threatened. ”

Currently, an investment bank in its subsidiaries at 20% of the net cap. Under the proposed structure, there will be a limit to how much a bank FHC may invest in non-bank subsidiaries, but it is still unclear.

All the new banks and insurance companies, such as license and will necessarily operate in FHC.

“Those who have insurance, and (that) not to accept the model of FHC with the existing rules regarding the developers meet with Irda,” said the panel.

RBI excluded intermediate holding companies in HCF “because of its contribution to the opacity and complexity of the organizational structure.”

Both State Bank of India and ICICI Bank Ltd., the two largest lenders in India, wanted to float the company in the past, but refused to send their proposals to appeal RBI regulatory concerns.

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