

Supplementary Responses to Pre-EOI Queries

06/12/2022

Preliminary Information Memorandum for Inviting Expression of Interest for Strategic Disinvestment of IDBI Bank Limited

**Government of India
Ministry of Finance
Department of Investment & Public Asset
Management**

While responding to pre-EOI queries on 25th November, 2022 it was indicated, that response/clarification to certain queries shall be advised later. These responses/clarifications are now being provided as under-

Query Number	Query Theme	Pre-EOI Queries	Responses/Clarifications
46	Eligibility Criteria Consortium	Please confirm that - the consortium can solely consist of funds / investment vehicle incorporated outside India (i.e., non-residents) and therefore such non-residents can own	The residency requirement of the Promoter, under the RBI's "Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector, 2016", is in context of new/prospective banks.

		<p>more than 51% in (a) the NOFHC (in case of a NOFHC structure) or (b) the investment vehicle (incorporated outside India).</p> <p>The query is emanating from the residency criteria stipulated for 'Promoter' under the 2016 Licensing Guidelines of RBI.</p>	<p>However, as IDBI Bank is an existing banking company; hence, for the purposes of the Transaction, the said residency criteria would not apply to a consortium consisting of funds/ investment vehicle incorporated outside India.</p>
71	Merger / Amalgamation	<p>Is the lock-in of 5 years applicable to the specific shares acquired by the successful bidder/ consortium, or does the successful bidder/ consortium have to maintain its stake for 5 years? Let's consider a case of an existing NBFC owned by promoters through an investment company, which emerges as the successful bidder. If before the expiry of the lock-in period, the NBFC is merged into IDBI Bank, as a result of which the stake of the bidder/ consortium reduces to less than 40% (none of the shares originally acquired have been sold}, is that permitted?</p>	<p>The amalgamation of an NBFC/banking company with IDBI Bank will be guided by provisions of Banking Regulation Act, 1949 and the Master Directions on 'Amalgamation of Private Sector Banks' dated April 21, 2016, as amended from time to time. The lock-in requirements in event of such amalgamation shall be addressed suitably, in consultation with RBI, on a case to case basis. In context of the Query, reference may also be had to RBI's "Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector, 2016".</p>
144	Regulatory RBI	<p>- How would the requirement of NOFHC holding 40% stake in Bank for 5 years be complied with in the event of dilution</p>	<p>Please refer to the corresponding response to Query number 71.</p>

		on account of merger of IDBI Bank with an existing Bank/NBFC?	
61	Fit & Proper	How will income from financial assets of the non-financial companies be treated for conducting the test of determining the Asset/ Income criteria for large industrial/ corporate houses?	<p>Please note that regarding the income criteria for determining the large industrial houses under the guidelines for banking licenses, the promoter/promoter group entities are classified as financial and non-financial entities based on their businesses.</p> <p>The income/ revenue from operations for all the entities is considered. Thereafter, it is assessed if the said income for non-financial entities exceeds 40% of the total income from operations for all the entities (financial and non-financial) in promoter group.</p> <p>The definition of promoter and promoter group is given Annex I of RBI's "Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector" dated August 1, 2016.</p>
133	Regulatory RBI	- Being a Global systemically important Bank (GSIB), potential Bidder has presence in India today (through potential Bidder's majority ownership of a large diversified Non-Bank Finance company referred	<p>Please have reference to RBI's "Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector" dated August 1, 2016, which mandates the requirement of an Non-Operative Financial Holding Company ("NOFHC") in cases where (i) the promoting entities/ converting</p>

		<p>to as "Related NBFC" and may have other future investments - directly or indirectly through group affiliate entities. Can the bidder continue to operate the Related NBFC uninterrupted (without any mandate to merge or close it)- as long as potential Bidder is able to demonstrate that the banking and NBFC businesses are ring-fenced, managed and operated at arm's length and are differently structured (like Related NBFC and Target owned by different group entities Of the potential Bidder's parent group)?</p>	<p>entities have other group entities; and (ii) group entities are proposed to be established after the bank is incorporated.</p> <p>As per the said RBI's Guidelines - "Only those regulated financial sector entities in which the individual Promoter /s / group have significant influence or control (as defined under Accounting Standards AS21 and AS23) will be held under the NOFHC."</p> <p>Hence, as the requirement is to ring fence the bank from other activities of the Group, the establishment of NOFHC would be guided by the said RBI's "Guidelines for 'on tap' Licensing of Universal Banks in the Private Sector" dated August 1, 2016, as amended from time to time.</p>
28.	Business Matters	<p>As part of the Primary Dealer activity, IDBI is involved in market making activities in respect of G-Secs including T-bills. IDBI's Treasury also provides Constituent Subsidiary General Ledger ("CSGL") service to Gilt Account Holders ("GAHs") having accounts with it. The Treasury actively participates in primary auction of Government of</p>	<p>There may not be any impact on the Primary Dealer business of the IDBI Bank.</p>

		<p>India/ State Development Loans ("SOL") securities on behalf of CSGL & non-CSGL clients. IDBI, in line with the RBI directives, provides the facility of web-based Negotiated Dealing System - Order Matching Segment module to GAH for online trading of G-Secs in the secondary market. IDBI's 'IDBI Samriddhi G-Sec' portal continues to provide facility to the retail investors to buy G-sec online and through its ATMs. Would any of the above activities undergo change/get impacted, where a foreign bank acquires more than 50% shareholding and management control under the Transaction under consideration?</p>	
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