Q49

With reference to the rule/rules imposed by the Reserve Bank of India while treating foreign banks, consider the following statements: 1. There is no minimum capital requirement for wholly owned banking subsidiaries in India. 2. For wholly owned banking subsidiaries in India, at least 50% of the board members should be Indian nationals. Which of the statements given above is/are correct? (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2 Official key: D.

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Explanation

(a)
1 only. Wholly owned subsidiaries do face a minimum capital requirement.

(b)
2 only. The 50% Indian-national board rule is not the RBI WOS rule as stated.

(c)
Both. Both statements fail on this paper.

(d) Official key
Neither. Minimum capital applies; board composition is not "at least 50% Indian nationals" as the statement puts it.

Summary

Official key is (d) neither. RBI requires substantial minimum capital for a wholly owned banking subsidiary. The board rule in the statement (at least 50% Indian nationals) is not accepted as a correct statement of the WOS regime on this paper. So both 1 and 2 are false.

Related possible facts

These can be asked in a future Prelims paper.

WOS of foreign banks
RBI's preferred mode in some cases versus foreign branches.

Basel / capital
Minimum paid-up capital and CAR apply to banks in India, including subsidiaries.