

All Scheduled Commercial Banks

Dear Sir,

**Guidelines for acknowledgement of transfer/  
allotment of shares in private sector banks**

Please refer to our circulars DBOD.No.BP.BC.68/21.01.055/2001-02 dated February 16, 2002 on foreign direct investment in banking sector and DBOD.No.PSBS.BC.349/16.13.100/99-2000 dated September 21, 1999 on transfer of shares. In paragraphs 4(i) and 2 respectively of the above circulars, banks were advised that transfer of shares of 5 per cent and more of the paid-up capital of a private sector bank requires acknowledgement of RBI.

2. As regards demat shares, banks were advised in terms of our circular DBOD.No.PSBS.BC.182/16.13.100/99-2000 dated May 31, 2000 that they should promote an amendment to their Articles of Association to this effect.

3. With a view to streamlining the procedure for obtaining acknowledgement and removing uncertainties for investors including foreign investors (FDI, FII and NRI) in regard to the allotment or transfer of shares and indicate in a transparent manner the broad criteria followed by RBI for the purpose, it has been decided to issue detailed guidelines as furnished in the Annexure. For private sector banks, it has to be ensured through an amendment to the Articles of Association that no transfer takes place of any acquisition of shares to a level of 5 percent or more of the total paid-up capital of the bank unless there is a prior acknowledgement by the RBI. Boards of private sector banks are advised to take the guidelines into account while seeking acknowledgement for transfer of allotment of shares.

4. Please acknowledge receipt.

Yours faithfully,

( **B. Mahapatra** )  
Chief General Manager

Encl: As above