

# Standing External Advisory Committee (SEAC) for New Bank Licences

March 24, 2021

**In News:** The Reserve Bank of India (RBI) has set up a five-member committee, headed by former RBI Deputy Governor Shyamala Gopinath, for evaluating applications for universal banks and small finance banks.

## About Standing External Advisory Committee (SEAC)

- SEAC is Five-member committee,
- **Headed By:** Former RBI Deputy Governor Shyamala Gopinath
- **Other Four Members**
  - RBI Central Board Director Revathy Iyer,
  - National Payments Corporation of India Chairman B Mahapatra,
  - Former Canara Bank Chairman T N Manoharan
  - Former Pension Fund Regulatory and Development Authority Chairman Hemant Contractor.
- **Tenure of Committee:** Three years.
- **Functions:** The applications for universal banks and SFBs will first be evaluated by the RBI to ensure prima facie eligibility of the applicants, after which the SEAC will evaluate the applications.

**Secretariat Committee:** Provided by RBI's Department of Regulation.

## What is Universal banking ?

- Is a system of banking where banks undertake a blanket of financial services like investment banking, commercial banking, development banking, insurance and other financial services including functions of merchant

banking, mutual funds, factoring, housing finance, insurance etc.

- World Bank, the definition of the Universal Bank “In Universal banking, the large banks operate extensive network of branches, provide many different services, hold several claims on firms(including equity and debt) and participate directly in the Corporate Governance of firms that rely on the banks for funding or as insurance underwriters”
- Apart from savings and loans, Universal banks provide services such as investing in securities, credit cards, project finance, remittances, payment systems, project counselling, merchant banking, forex operations, insurance and so on.
- Universal Banking is a superstore for financial products under one roof. Corporate can get loans and avail of other handy services, while can deposit and borrow.
- Universal Banks includes not only services related to savings and loans but also investments.
- Universal Banking is usually undertaken by large banks who can manage the cost of such widespread operations.
- The concept in the reports submitted by Narasimham Committee and S.H. Khan Committee, Suggested to consolidate the financial industry of India via a medium of merging financial activities carried by different types of financial institutions.
- The practice of universal banking is common in European countries in three forms:
  - In-house universal banks
  - Universal banking through separate subsidiaries
  - Universal banking through holding companies

# Universal Bank

*A bank that offers retail, wholesale, and investment banking services under one roof.*

