Statement 1: Universal Banking Practices in Select Countries

	Type of Universal Banking (1)	Features (2)	Countries Practicing (3)	Position in India (4)
I.	**Narrow Universal Banking**	Combination of commercial banking and investment bank- ing, i.e., issuing, underwriting, investing and trading securities.		In India, presently there are no restrictions on banks' investments in preference shares/non-convertible debentures/bonds of private corporate bodies. Banks are also allowed to invest in corporate stocks. However, such investments are restricted to 5 per cent of incremental deposit of the previous year. Banks are also allowed to underwrite, subject to the limit of 15 per cent of the issue size. In case there are devolvements and the aforementioned 5 per cent limit is exceeded, banks are required to offload the excess holdings. Banks are also allowed to own 100 per cent investment banks and undertake mutual fund activity through separate entities. Like-wise, DFIs which have traditionally been engaged in the medium to long-term financing have recently started undertaking short-term lending including working capital finance. They have also been allowed to accept short to medium-term deposits in the form of term deposits and CDs, *albeit* within limits. DFIs have also set up subsidiaries for undertaking banking and various other activities. For instance, IDBI and ICICI have already set up banking subsidiaries and mutual funds, besides setting up subsidiaries in the field of investor services, stock broking registrars' services. IFCI has also set up subsidiaries for undertaking merchant banking, stock broking, providing registrars' services, etc.
a)	In-house		Australia, Austria, Denmark, Finland, France, Germany, Hongkong[@], Pakistan[#], Poland, Sweden, Switzerland	
b)	Through conglomerate route (By setting up subsidiaries)		Brazil, Canada, China, Japan[@@], Korea, Mexico, Netherlands, New Zealand, Norway[$], Thailand, U.K.	
c)	Permitted to some extent		Chile[*], Belgium	
d)	Not permitted		In U.S., banks are permitted to deal in government securities; stock brokerage activities are also generally permitted; however, corporate securities underwriting and dealing activities must be conducted through specially authorised affiliates, which must limit such activities to 10 per cent of gross revenues.	

				Unit Trust of India which has characteristics of both a mutual fund and Development Financial Institution under a statute, also has a banking subsidiary. HDFC, a non-banking financial company (NBFC) has also set up a commercial bank.

@ Except for limitation on shareholding in certain listed companies and subject to limits based on the capital of the bank.
# Except for some specifically disallowed securities.
@ Except for equity brokerage for the time being.
@
$ Stock brokerage activities need no longer be conducted in separate subsidiaries.
Certain activities through subsidiaries.
*

Statement 1: Universal Banking Practices in Select Countries (Concld.)

	Type of Universal Banking	**Features**	**Countries Practicing**	**Position in India**
	(1)	**(2)**	**(3)**	**(4)**
II.	**Broad Universal Banking**	Combination of commercial banking, investment banking and various other activities including insurance.		
a)	In-house		Hongkong**, Poland, Sweden	Presently insurance business in India is allowed only by LIC, GIC and its subsidiaries.
b)	Through conglomerate route (By setting up subsidiaries).		Australia, Austria, Belgium, Brazil, Canada, China, Denmark, France, Germany, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore##, Thailand, Spain, Switzerland, U.K.	
c)	Permitted to some extent		Italy***	
d)	Not permitted		Chile, Japan, Korea, Pakistan, Panama, Peru, U.S.$$	

** Subject to limits based on the capital of the bank.
Locally incorporated banks may own insurance company with MAS's approval.
*** Limited to 10 per cent of own funds for each insurance company and 20 per cent aggregate investment in insurance companies.
$$ Allowed through a separate holding company.

Source *:* Adopted from Institute of International Bankers, 1994, Global Survey of Regulatory and Market Developments in Banking, Securities and Insurance.