

April 25, 2007

The Managing Director,  
SBICI Bank Ltd.,  
Maker Chambers III,  
Nariman Point,  
Mumbai – 400 021

Dear Sir,

**Violation of RBI instructions etc.-Imposition of penalty**

Please refer to your letter MD: CO: 203 dated October 03, 2006 in reply to show cause notice dated September 19, 2006 for imposition of penalty under Section 47A(1)(b) of Banking Regulation Act, 1949.

2. After examining bank's written and oral submissions to the aforesaid show cause notice, Reserve Bank has come to the conclusion that (i) the bank had not adhered to KYC norms while opening and operating IPO related accounts and not completed KYC procedure for existing accounts as required by RBI instructions and, (ii) the Bank's internal control systems failed to detect the lapses and despite advice by RBI for conducting internal review of IPO funding, the bank failed to detect the lapses and instead furnished wrong compliance to RBI.

3. As non-adherence to KYC norms while opening and operating IPO related accounts and not completing KYC procedure for existing accounts & furnishing wrong compliance to RBI for conducting internal review of IPO funding, resulted in violation of RBI guidelines / instructions and prudent banking practices, Reserve Bank imposed a penalty of Rs. 10.00 Lakh (Rupees Ten Lakh only) viz. Rs. 5.00 Lakh (Rupees Five Lakh only) for each of the above mentioned violations.

4. You may also note to disclose the particulars of the above penalty in the "Notes on Accounts" to the Balance Sheet in the Annual Report in terms of RBI Circular DBOD. BP. BC. 49 / 21.04.018/ 2004-05 dated October 19, 2004.

Yours faithfully,

(S. Ganesh)  
Chief General Manager