

**Press Release\***

October 2012

**Directions under Section 35A of the Banking Regulation Act, 1949 (AACs) Shri Siddhivinayak Nagari Sahakari Bank Ltd., Rasayani, Dist. Raigad, Maharashtra**

October 1, 2012

It is hereby notified for the information of the public that validity period of directions imposed on Shri Siddhivinayak Nagari Sahakari Bank Ltd., Rasayani, Dist. Raigad vide our directive UBD.CO.BSD-I.No.D-56/12.22.332/2011-12 dated September 29, 2011, extended vide directive UBD.CO.BSD-I.No.D-74/12.22.332/2011-12 dated March 14, 2012 has been extended further for a period of six months *i.e.* from September 29, 2012 to March 28, 2013 vide our modified directive UBD.CO.BSD-I.No.D-10/12.22.332/2012-13 dated September 14, 2012. The other terms and conditions remain unchanged. A copy of the direction dated September 14, 2012 notifying the above modification is displayed at the bank's premises for the perusal of public.

The aforesaid modification by the Reserve Bank of India should not per-se be construed to imply that Reserve Bank of India is satisfied of substantive improvement in the financial position of the bank.

**Directions under Section 35A of the Banking Regulation Act, 1949 (AACs) Swami Samarth Sahakari Bank Ltd., Akkalkot, Solapur, Maharashtra**

October 1, 2012

It is hereby notified for the information of the public that validity period of directions imposed on Swami Samarth Sahakari Bank Ltd., Akkalkot, Solapur, Maharashtra vide our directive UDB.CO.BSD-I/D-76/12.22.282/2011-12 dated March 30, 2012 has been

extended further for a period of six months *i.e.*, from September 30, 2012 to March 29, 2013 vide our modified directive UBD.CO.BSD I/D-9/12.22.282/2012-13 dated September 14, 2012. The other terms and conditions remain unchanged. A copy of the directive dated September 14, 2012 notifying the above modification is displayed at the bank's premises for the perusal of public.

The aforesaid modification by the Reserve Bank of India should not per-se be construed to imply that Reserve Bank of India is satisfied of substantive improvement in the financial position of the bank.

**RBI Central Board of Directors meets today at Puducherry**

October 4, 2012

The Reserve Bank of India's Central Board of Directors met today at Puducherry. Dr. D. Subbarao, Governor, Reserve Bank of India chaired the meeting. Directors Dr. Anil Kakodkar, Shri Kiran S. Karnik, Prof. M.V. Rajeev Gowda, Shri Y.H. Malegam, Smt. Ela Bhatt, Dr. Indira Rajaraman and Shri Y.C. Deveshwar, as also, Government nominee director on the Central Board Shri Aravind Mayaram, Secretary, Economic Affairs attended the meeting. Deputy Governors Dr. K. C. Chakrabarty, Dr. Subir Gokarn, Shri Anand Sinha and Shri Harun R. Khan were also present.

The Board reviewed the current economic situation and global and domestic challenges and policy responses.

The Central Board meets at least once every quarter. Apart from holding meetings in Mumbai, Chennai, Kolkata and one in New Delhi after the Union Budget which is addressed by the Finance Minister, the rest of the meetings are held in other state capitals by

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\* Important Press Releases during October 2012.

rotation. The main function of the Central Board of Directors of the Reserve Bank is to provide overall direction to the Reserve Bank's affairs.

### ***Banks urged to enhance education loans in Puducherry***

After the Central Board meeting, the Governor also held a special State Level Bankers Committee (SLBC) meeting in which all banks, including SLBC convener Indian Bank and State Government officials, led by the Chief Secretary of Puducherry Smt. M. Sathiyavathy participated. The following issues were discussed during the meeting:

- Banks will work out a plan of action at the State Level Bankers Committee to increase the flow of education loan in Puducherry to enable the Puducherry government to position the Union Territory as a premier education centre in the country.
- The Reserve Bank will also prepare a position paper on education loans across the country.
- The Reserve Bank Governor urged the administration and banks in the Union Territory of Puducherry to make financial inclusion more meaningful. This would require that the account-holders are encouraged to use their bank accounts for credit and remittance facilities as well.
- The Government and banks would jointly work towards transferring benefits of government schemes directly to bank accounts of the beneficiaries, to enable payment of taxes through e-payment. They will also jointly conduct a campaign to make farmers aware of the benefits of obtaining crop insurance.

Earlier, the Governor and the Deputy Governors of the Reserve Bank interacted with students from colleges in and University of Puducherry in a town hall event. Students raised interesting questions relating to economy, banking and the functions of Reserve Bank of India.

### **The Bapunagar Mihila Co-operative Bank Ltd., Ahmedabad – Penalised**

October 5, 2012

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five Lakh only) on the The Bapunagar Mihila Co-operative Bank Ltd., Ahmedabad, in exercise of the powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies), for violation of Reserve Bank of India directives/guidelines on exceeding the ceiling on unsecured advances, delay in reporting of Suspicious Transaction Reports (STRs), non-filing of First Information Reports (FIRs) and delay in submission of FIRs without any cogent reasons.

The Reserve Bank of India had issued a Show Cause Notice to the bank, in response to which the bank submitted a written reply and made further submissions during the personal hearing by Regional Director. After considering the facts of the case and bank's reply in the matter, the Reserve Bank of India came to the conclusion that the violations were substantiated and warranted imposition of penalty.

### **Working Group on Cloud computing option for small size UCBS**

October 5, 2012

The Reserve Bank of India has today placed on its website, the report of the Working Group on Cloud computing option for small size Urban Co-operative Banks (UCBs). The Working Group comprising senior officers from the Reserve Bank, experts from the software industry and eminent professors from academia was set up in July 2012. The Working Group reviewed the profile of the sector, technological trends in Cloud Computing and use of cloud like solutions within UCBs. Based on the analysis, the Working Group has suggested its approach for Cloud computing option.

The study observed that many Urban Cooperative banks have been providing IT support to other

cooperative banks which included sharing of Data Centre and DR sites, Automated Teller Machines and Payment Gateways. Some of these banks were also providing their software solutions as outright sale or fees based ASP model. It was observed that two leading software company had been also offering cloud like services which included core banking as well as many other solutions such as HR solutions, e-mail, storage, etc which the banks could choose. These services were mostly on private cloud like set up.

The Working Group has recommended caution while adopting cloud computing solutions by the Urban Cooperative banks till such time that all issues related to its standards and technology management processes are understood and resolved. In cases where such innovative solutions are already adopted, the Working Group has recommended that the issues identified in this report may be examined on the lines indicated in the report to ensure adequacy of risk mitigation measures and to address concern regarding data security and data privacy in the multi-tenancy environment. Finally the Working Group has identified the need for further study in the area of Cloud Governance, Cloud Audit, Cloud Management and Cloud Security Technology.

### **ING Vysya Bank Ltd. and ICICI Bank Ltd. – Penalised**

October 9, 2012

The Reserve Bank of India has imposed monetary penalties of ₹55 lakh on ING Vysya Bank Ltd. and ₹30 lakh on ICICI Bank Ltd., in exercise of the powers vested with it under the provisions of Section 47A(1)(b) read with Section 46(4)(i) of the Banking Regulation Act, 1949. The penalties have been imposed on these banks for contravention of various directions and instructions issued by the RBI on 'Know Your Customer (KYC) norms/Anti-Money Laundering (AML) Standards/Combating of Financing of Terrorism (CFT)/Prevention of Money Laundering Act, 2002', such as failure to obtain

adequate documents for opening accounts, failure to carry out sufficient customer identification procedures, failure to examine control structure of entities, failure to ascertain the identification of natural persons behind entities, failure to carry out effective enhanced due diligence, failure to carry out appropriate risk categorisation and delay in filing the Suspicious Transaction Reports.

The RBI had issued Show Cause Notices to these banks and in response thereto, the banks had submitted their written replies. On a careful examination of the banks' written replies and the oral submissions made during the personal hearings, the RBI found that the violations were established and the penalties were accordingly imposed.

### **RBI constitutes High Level Financial Inclusion Advisory Committee**

October 11, 2012

The Reserve Bank of India has constituted a high level Financial Inclusion Advisory Committee (FIAC) to spearhead the efforts towards greater financial inclusion. The collective expertise and experience of the members of the committee is expected to explore issues such as developing viable and sustainable banking services delivery models focussing on accessible and affordable financial services, developing products and processes for rural as well as urban consumers presently outside the banking network and suggest appropriate regulatory framework to ensure that financial inclusion and financial stability move in tandem.

The Committee will be chaired by Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India and will comprise of the following members:-

- a. Shri Y.H. Malegam, Member, Central Board of Directors, Reserve Bank of India
- b. Professor Dipankar Gupta, Member, Central Board of Directors, Reserve Bank of India
- c. Ms. Ela Ramesh Bhatt, Member, Central Board of Directors, Reserve Bank of India

- d. Shri D.K. Mittal, Member, Central Board of Directors, Reserve Bank of India & Secretary, Department of Financial Services, Ministry of Finance, Government of India
- e. Dr. Nachiket Mor, Member of the Governing Council, IKP Trust and former Deputy Managing Director of ICICI Bank
- f. Professor M.S. Sriram, Independent Researcher & Adjunct Professor, Indian Institute of Management, Ahmedabad and Indian Institute of Management, Indore
- g. Shri R.S. Sharma, Director General, Unique Identification Authority of India (UIDAI)
- h. Shri B. Sambamurthy, Director, Institute of Development & Research in Banking Technology (IDRBT)
- i. Ms. Rama Vedashree, Vice President, NASSCOM and Member of NABARD's Advisory Board on Financial Inclusion Fund and Financial Inclusion Technology Fund
- j. Shri P.D.K. Rao, Managing Trustee, Sodhana Charitable Trust
- k. Chairman, Indian Banks' Association – Shri K.R. Kamath, Chairman & Managing Director, Punjab National Bank

Executive Director in-charge of Rural Planning and Credit Department, Reserve Bank of India will be the Convenor of the Committee and the Rural Planning and Credit Department, Central Office, Reserve Bank of India will provide the Secretariat to the Committee.

It may be mentioned that there has been significant, *albeit* slow, progress towards greater financial inclusion. However, ensuring accessible and affordable financial services in all 6 lakh villages in India is a herculean task and given the enormity of the task, a lot of ground still needs to be covered. This calls for a partnership of all the stakeholders – Reserve Bank, other sectoral regulators like Securities and Exchange Board of India, Insurance Regulatory and Development Authority, Pension Fund Regulatory and Development

Authority, National Bank for Agriculture and Rural Development; Banks; Governments; Civil Society; Non-Governmental Organisations, *etc.*

While the regulators and the Government of India are already part of the Technical Group on Financial Inclusion and Literacy of the Sub-committee of the Financial Stability & Development Council, a need was felt to engage the members from the civil society/Non-Governmental Organisations and others for a sound and purposeful collaboration. The Committee, if necessary, would call other market players like Corporate Business Correspondents, Technology Vendors *etc.*, as special invitees to the meetings. Since the financial inclusion model selected in India is primarily bank-led, the Financial Inclusion Advisory Committee may also invite the Chairperson/Managing Directors of banks to each of its meetings to gather the perspective of the banks.

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### **RBI introduces New External Research Funding Scheme in Memory of Noted Economist Prof. K.N. Raj; invites Applications from Scholars**

October 15, 2012

The Reserve Bank of India has introduced a new external research funding scheme in the name of Prof. K. N. Raj, a noted economist who rendered distinguished services to the Reserve Bank, economic planning and to the nation in general. It has invited applications for the year 2012-13 from eligible scholars. Applications in soft form need to be sent to the Reserve Bank on or before November 15, 2012.

Called Prof. K.N. Raj Memorial National Fellowship Scheme, the objective of this scheme is to encourage distinguished research scholars in India or abroad to work in academic institutions in India for a short period and to facilitate interaction between the scholar and other faculties of the institution in which the scholar would work. The theme will be identified by a Steering Committee on Economic and Policy Research (SCEPR) of the Reserve Bank of India.



Distinguished scholars in the field of social sciences from reputed domestic/international universities/research institutions (Indian or foreign nationals), scholars having outstanding professional contributions including publication of papers/articles in leading international journals and scholars sponsored by reputed domestic/international universities/research institutions fulfilling the requirements are eligible to apply.

Details of the Scheme and application form are available at [www.rbi.org.in](http://www.rbi.org.in)

### **Prof. Damodar Acharya nominated on RBI Central Board**

October 16, 2012

The Central Government has nominated Prof. Damodar Acharya as a director on the Central Board of Directors of the Reserve Bank of India for a period of four years with effect from October 12, 2012. The nomination has been made in exercise of the powers conferred by clause (c) of sub-section (1) of Section 8 of the Reserve Bank of India Act, 1934.

### **Certificate of Registration of Venkataraya Finance Private Limited Cancelled**

October 18, 2012

The Reserve Bank of India has on August 29, 2012 cancelled the certificate of registration No. B-09.00366 dated July 20, 2001, issued to Venkataraya Finance Private Limited, having its registered office at 12-69-6, Industrial Area Road, Tanuku-534211, West Godavari District, Andhra Pradesh for carrying on the business of a non-banking financial institution as the company has voluntarily exited from carrying on NBFIs activities. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

By the powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the Reserve Bank can cancel the registration certificate of a non-banking

financial company. The business of a non-banking financial institution is defined in clause (a) of Section 45-I of the Reserve Bank of India Act, 1934.

### **Vyavasayik Evam Audyogik Sahakari Bank Maryadit, Morena (Madhya Pradesh) – Penalised**

October 18, 2012

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees Five Lakh only) on the Vyavasayik Evam Audyogik Sahakari Bank Maryadit, Morena (Madhya Pradesh), in exercise of the powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies), for violation of the directives/instructions/guidelines of the Reserve Bank of India on credit exposure ceiling, maximum limit on unsecured advances, Know Your Customer (KYC)/Anti Money Laundering(AML) and submission of compliance to RBI's inspection report.

The Reserve Bank of India had issued a Show Cause Notice to the bank in response to which the bank submitted a written reply. After the bank's written reply, RBI came to the conclusion that the violation was substantiated and warranted imposition of penalty.

### **Directions under Section 35A of the Banking Regulation Act, 1949 (AACs) Abhinav Sahakari Bank Ltd., Rahuri, Ahmednagar, Maharashtra**

October 19, 2012

It is hereby notified for the information of the public that validity period of directions imposed on Abhinav Sahakari Bank Ltd., Rahuri, Ahmednagar, Maharashtra vide our directive UDB.CO.BSD-I/D-80/12.22.472/2011-12 dated April 13, 2012 has been extended further for a period of six months *i.e.*, from October 17, 2012 to April 16, 2013 vide our modified directive UDB.CO.BSD I/D-15/12.22.472/2012-13 dated October 11, 2012. The other terms and conditions remain unchanged. A copy of the directive dated

October 11, 2012 notifying the above modification is displayed at the bank's premises for the perusal of public.

The aforesaid modification by the Reserve Bank of India should not per-se be construed to imply that Reserve Bank of India is satisfied of substantive improvement in the financial position of the bank.

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**Directions under Section 35A of the Banking Regulation Act, 1949 (ACCS) Shri Shivaji Sahakari Bank Ltd., Gadhinglaj, Dist. Kolhapur, Maharashtra**

October 22, 2012

It is hereby notified for the information of the public that validity period of directions imposed on Shri Shivaji Sahakari Bank Ltd., Gadhinglaj, Dist. Kolhapur vide our directives UBD.CO.BSD-I.No.D-61/12.22.249/2011-12 dated October 24, 2011 and UBD.CO.BSD-I.No.D-79/12.22.249/2011-12 dated April 13, 2012, has been extended for a further period of six months from October 25, 2012 to April 24, 2013 vide our modified directive UBD.CO.BSD-I.No.D-18/12.22.249/2012-13 dated October 16, 2012 subject to review. The other terms and conditions remain unchanged. A copy of the direction dated October 16, 2012 notifying the above modification is displayed at the bank's premises for the perusal of public.

The aforesaid modification by the Reserve Bank of India should not per-se be construed to imply that Reserve Bank of India is satisfied of substantive improvement in the financial position of the bank.

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**The Vijay Co-operative Bank Ltd., Ahmedabad – Penalised**

October 29, 2012

The Reserve Bank of India has imposed a monetary penalty of ₹ 5.00 lakh (Rupees Five Lakh only) on The Vijay Co-operative Bank Ltd., Ahmedabad, in exercise of the powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (As applicable to Co-operative

Societies), for violation of Know Your Customer (KYC) norms and violation of operational instructions *viz.*, distributing dividend without obtaining prior approval from RBI.

The Reserve Bank of India had issued a Show Cause Notice to the bank in response to which the bank submitted a written reply. After considering the facts of the case and the bank's replies as also personal submission in the matter, the Reserve Bank of India came to the conclusion that the violation was substantiated and warranted imposition of the penalty.

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**Change in settlement cycle of the primary auction in T-Bills to T+1 settlement**

October 30, 2012

As announced in Second Quarter Review of Monetary Policy 2012-13 (Para No. 64), in order to bring about standardisation and enhance market efficiency, it has been decided that the settlement cycle of primary auction in T-Bills would be reduced from T+2 to T+1 settlement. This change would come to effect from November 21, 2012.

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**Udhna Citizen Co-operative Bank Ltd., Surat, Gujarat**

October 31, 2012

In exercise of the powers vested under sub-section (1) of Section 35 A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies), the period of directions imposed by the Reserve Bank of India on the Udhna Citizen Co-operative Bank Ltd., Surat, Gujarat, vide its directive UBD.CO.BSD.II No./D-81/12.21.354/2011-12 dated April 20, 2012, expiring on November 1, 2012, has since been further extended by six months *i.e.* up to May 1, 2013, vide modified directive No. UBD.CO.BSD.II/D-16/12.21.354/2012-13 dated October 10, 2012 subject to review. The modified directive is displayed on the bank's premises for interested members of the public to peruse.