

## Press Releases\*

April 2011

### RBI Introduces Working Paper Series

April 1, 2011

The Reserve Bank of India today released two Working Papers on its website. These are:

Working Paper 1: An Empirical Analysis of the Relationship between Currency Futures and Exchange Rates Volatility in India by Somnath Sharma; and Working Paper 2: The Implications of Renminbi Revaluation on India's Trade – A Study by S. Arunachalam and Ramesh Golait

The Reserve Bank of India has decided to introduce a 'RBI Working Paper Series' (RBI - WP) to provide a platform to the Reserve Bank Staff for presenting their research studies as well as to receive feedback from informed researchers.

One of the hallmarks of research in central banks is to sense the relevant developments and emerging challenges and provide quality research inputs for policy making. To be able to do this, the research studies should be on subjects linked with the goals and objectives of the central bank and should be conducted in a scientific way. With proactive and strategic role of the central bank staff, the research inputs could serve as necessary tools for scientific policy-making and efficient functioning of the central bank. The initiative to publish the Working Papers comes in the wake of encouraging the Reserve Bank staff to contribute towards such efforts.

The views expressed in all the research publications of the Reserve Bank, including the RBI Working Papers Series, do not necessarily reflect the views of the Reserve Bank and as such should not be reported as representing the views of the Reserve Bank of India.

Feedback, if any, on the papers could be addressed to the respective authors of the RBI Working Paper Series.

\* Important Press Releases during April 2011.

### Government of India repurchased the Fertiliser Bonds Issued to Various Fertiliser Companies

April 1, 2011

The Governments of India have repurchased the Fertilizer Bonds issued to various Fertilizer Companies amounting ₹5762.98 crore (face value) in the first tranche held on March 31, 2011. The security-wise details of the repurchase are given as under:

Security	Face Value (₹ Crore)
6.20% Fertiliser Companies GOI Special Security 2022	1,772.85
6.65% Fertiliser Companies GOI Special Security 2023	2,072.22
7.00% Fertiliser Companies GOI Special Security 2022	1,896.41
7.95% Fertiliser Companies GOI Special Security 2026	16.50
8.30% Fertiliser Companies GOI Special Security 2023	5.00
<b>Total</b>	<b>5,762.98</b>

### Opening of Rural Planning and Credit Department at RBI, Panaji Office

April 1, 2011

Rural Planning and Credit Department has started functioning from today at the Reserve Bank of India office, Panaji. The Department, among other things, undertake financial inclusion and financial literacy initiatives as also look after implementation and monitoring of the Lead Bank Scheme. Its functional jurisdiction will cover the State of Goa. The address and contact details of the department are:

The General Manager & Officer-in-Charge  
Reserve Bank of India  
Rural Planning and Credit Department

3A/3B, Third Floor, Sesa Ghor  
Patto, Panaji-403001  
Tel No.0832 2438656  
Fax No.0832 2438657

The Reserve Bank of India started functioning in Goa in 1983 when Goa was still a Union Territory. It catered to the foreign exchange needs of the people and institutions in the Union Territory of Goa.

### **Reserve Bank of India Penalises The Jamnagar People's Co-operative Bank Ltd., Jamnagar**

**April 4, 2011**

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS), imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Jamnagar Peoples Co-operative Bank Ltd., Jamnagar. The penalty was imposed for violation of the Reserve Bank instructions in respect of reporting of cash transactions above ₹10 lakh to FIU-IND, New Delhi.

The Reserve Bank had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering facts of the case, the bank's reply and also personal submissions in the matter, the Reserve Bank concluded that the violation was substantiated and warranted imposition of penalty.

### **RBI Never asks for Your Bank Account Details**

**April 5, 2011**

It has come to the notice of the Reserve Bank of India that mail has been sent in its name 'inviting bank customers to update their bank account details against online phishing'.

The Reserve Bank has clarified that it has NOT sent any such email.

It has further clarified that the Reserve Bank or banks never issue communication asking for bank account details for any purpose. The Reserve Bank has

appealed to members of public not to respond to such mails and not to share their bank account details with anyone for any purpose.

### **Reserve Bank of India Penalises The Mehsana Urban Co-operative Bank Ltd., Mehsana (Gujarat)**

**April 5, 2011**

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS), imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on The Mehsana Urban Co-operative Bank Ltd., Mehsana (Gujarat) The penalty was imposed for violation of Reserve Bank instructions on membership of co-operative societies, conduct of non-banking business, use of work "Bank" in the name of another institution and share linking norms.

The Reserve Bank 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, the bank's reply and also personal submissions in the matter, the Reserve Bank concluded that the violation was substantiated and warranted imposition of penalty.

### **Reserve Bank of India Penalises The Waghodia Urban Co-operative Bank Ltd., District Vadodara**

**April 7, 2011**

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS), imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Waghodia Urban Co-operative Bank Limited, District Vadodara. The penalty was imposed for violation of Reserve Bank of India directives/guidelines by not adhering to Anti-Money Laundering (AML) guidelines.

The Reserve Bank 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, the bank's reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of penalty.

### **Reserve Bank of India Penalises Navsarjan Industrial Co-operative Bank Ltd., Amkleshwar**

**April 7, 2011**

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS), imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on Navsarjan Industrial Co-operative Bank Ltd., Amkleshwar. The penalty was imposed for not adhering to Anti-Money Laundering (AML) guidelines.

The Reserve Bank 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, the bank's reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of penalty.

### **Reserve Bank of India Penalises Shree Bharat Co-operative Bank Ltd., Vadodara**

**April 7, 2011**

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS), imposed a monetary penalty of ₹1 lakh (Rupees one lakh only) on Shree Bharat Co-operative Bank Ltd., Vadodara. The penalty was imposed for violation of Reserve Bank of India directives/guidelines by not adhering to Anti-Money Laundering (AML) guidelines, regarding submission of reports for cash transactions above ₹10 lakh.

The Reserve Bank 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,

the bank's reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of penalty.

### **RBI Revokes the Authorisation Granted to Kaizen Automation Private Ltd; Mumbai for Issuance of Prepaid Cards known as 'Go Mumbai' cards**

**April 7, 2011**

In exercise of the powers conferred under Section 8 of the Payment and Settlement Systems Act, 2007, the Reserve Bank of India has revoked the Authorisation granted to Kaizen Automation Private Limited, B-601-602, Citi Point, Andheri, Kurla Road, J. B. Nagar, Near Kohinoor Continental, Andheri (East), Mumbai-400059 for issuance and operation of prepaid cards known as 'Go Mumbai' cards, with immediate effect.

### **RBI Extends Liquidity Management Measures**

**April 8, 2011**

On the basis of an assessment of the current liquidity situation, it has been decided to extend the following liquidity management measures, currently set to expire on April 8, 2011, as follows:

- The additional liquidity support to scheduled commercial banks under the LAF to the extent of up to one per cent of their net demand and time liabilities (NDTL) is now extended up to May 6, 2011. For any shortfall in maintenance of the statutory liquidity ratio (SLR) arising out of avilment of this facility, banks may seek waiver of penal interest on a fortnightly basis purely as an ad hoc, temporary measure.
- The second LAF (SLAF) will be conducted on a daily basis up to May 6, 2011.

These facilities will be reviewed once a view is taken on the recommendations of Report of the Working Group on Operating Procedure of Monetary Policy (Chairman: Shri Deepak Mohanty).

### **Reserve Bank of India Penalises Shree Savli Nagrik Sahakari Bank Ltd., District Vadodara**

**April 8, 2011**

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS), imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on Shree Savli Nagrik Sahakari Bank Ltd., District Vadodara. The penalty was imposed for not adhering to Reserve Bank of India instructions/guidelines on Anti-Money Laundering (AML) guidelines.

The Reserve Bank 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, the bank's reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of penalty.

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### **Shree Mahalaxmi Mercantile Cooperative Bank Limited, Dabhoi, Dist. Vadodara, Gujarat – Penalised**

**April 11, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on Shree Mahalaxmi Mercantile Co-operative Bank Limited, Dabhoi, Dist. Vadodara, Gujarat, in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violation of operational instructions by sanctioning fresh loans and advances.

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 reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

### **The Rander People's Cooperative Bank Limited, Rander, Dist. Surat, Gujarat – Penalised**

**April 11, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Rander People's Co-operative Bank Limited, Rander, Dist. Surat, Gujarat, in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for certain violation of Reserve Bank of India instructions by non-adherence to Anti Money Laundering (AML) guidelines in regard to submission of reports of cash transactions above ₹10.00 lakh to Financial Intelligence Unit-India (FIU-IND), New Delhi.

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 reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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### **Underwriting Auctions for Government Securities**

**April 11, 2011**

The Government of India have announced the sale (reissue) of '7.59 per cent Government Stock 2016' for a notified amount of ₹4,000 crore (nominal), '8.08 per cent Government Stock 2022' for a notified amount of ₹5,000 crore (nominal) and '8.26 per cent Government Stock 2027' for a notified amount of ₹3,000 crore (nominal) through auctions to be held on April 15, 2011. The underwriting auctions for the captioned securities will be conducted on April 13, 2011 (Wednesday).

As per revised scheme of underwriting, dated November 14, 2007, the amounts of Minimum Underwriting Commitment (MUC) and the minimum bidding commitment under Additional Competitive Underwriting (ACU) for the underwriting auctions, per Primary Dealer, are as under:

(₹ in crore)			
Nomenclature of the Security	Notified Amount	MUC amount per Primary Dealer	Minimum bidding commitment per PD under ACU auction
7.59 per cent GS 2016	4,000	100	100
8.08 per cent GS 2022	5,000	125	125
8.26 per cent GS 2027	3,000	75	75

The underwriting auctions will be conducted using multiple price based auction method. Primary Dealers (PDs) may submit their bids for ACU auctions electronically through Negotiated Dealing System (NDS) between 10.30 a.m. and 12.30 p.m. on April 13, 2011 (Wednesday).

The underwriting commission will be credited to the current account of the respective PDs at the RBI, Fort, Mumbai on the date of issue of securities.

### **The Ankola Urban Cooperative Bank Limited, Ankola, Dist. Uttara Kannada – Penalised**

**April 13, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹2.00 lakh (Rupees two lakh only) on The Ankola Urban Co-operative Bank Limited, Ankola, Dist. Uttara Kannada, Karnataka in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violation of the provisions of Section 36(1)(a) of the Banking Regulation Act, 1949 (AACS) relating to sanctioning of unsecured advances in violation of the operational instructions issued to the bank.

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 reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

### **The Kushtagi Pattana Sahakara Bank Niyanit, Kushtagi, Dist. Koppal – Penalised**

**April 13, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on The Kushtagi Pattana Sahakara Bank Niyanit, Kushtagi, Dist. Koppal, Karnataka in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 as applicable to Co-operative Societies (AACS) for violation of the provisions of Section 36(1)(a) of the Banking Regulation Act, 1949 (AACS) relating to granting/renewing of loans, acceptance of fresh deposits and allowing withdrawal of deposits exceeding ₹1,000/- in violation of the directions issued on the bank under Section 35A of the Banking Regulation Act, 1949 (AACS).

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 reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

### **The Salal Sarvoday Nagarik Sahakari Bank Limited, Salal, Dist. Sabarkantha, Gujarat – Penalised**

**April 13, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹2.00 lakh (Rupees two lakh only) on The Salal Sarvoday Nagrik Sahakari Bank Limited, Salal, Dist. Sabarkantha, Gujarat, in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violation of Reserve Bank of India instructions on submission of reports of cash transactions above ₹10.00 lakh to Financial Intelligence Unit-India (FIU-IND), New Delhi under Anti Money Laundering (AML) guidelines.

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 reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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### **Goldman Sachs authorised to undertake Primary Dealer Business**

**April 15, 2011**

The Reserve Bank of India has authorised Goldman Sachs (India) Capital Markets Private Limited to undertake Primary Dealer business with effect from Monday, April 18, 2011.

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### **The Botad People's Co-operative Bank Limited, Botad, Dist. Bhavnagar, Gujarat – Penalised**

**April 15, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Botad People's Co-operative Bank Limited, Botad, Dist. Bhavnagar, Gujarat, in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violations of Reserve Bank of India instructions in respect of reporting of cash transactions above ₹10.00 lakh to Financial Intelligence Unit-India (FIU-IND), New Delhi, non compliance of Know Your Customers (KYC) norms and persistence of irregularities pointed in previous 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 considering the facts of the case and the bank's reply and also personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

### **The Suvikas People's Co-operative Bank Ltd., Ahmedabad – Penalised**

**April 15, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Suvikas Co-operative Bank Ltd., Ahmedabad, Gujarat in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violation of Reserve Bank of India instructions on Know Your Customers (KYC).

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, bank's reply and personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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### **Shri Vinayak Sahakari Bank Ltd., Ahmedabad – Penalised**

**April 15, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on Shri Vinayak Sahakari Bank Ltd., Ahmedabad, Gujarat in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violation of Reserve Bank of India instructions on unsecured advances, Know Your Customers (KYC) norms and Anti-Money Laundering (AML) guidelines, shortage in cash balances, opening of benami accounts and violation of Dos' and Dons' prescribed for board of directors.

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, bank's reply and personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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

**April 15, 2011**

The Reserve Bank of India, imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on The Siddhi Co-operative Bank Ltd., Ahmedabad. The penalty was imposed for violation of RBI instructions/directions on Know Your Customer (KYC) / Anti Money Laundering (AML) and for submitting improper compliance of the observations made in its last inspection report.

The Reserve Bank had issued a show cause notice to The Siddhi Co-operative Bank Ltd. The bank submitted a written reply in response to the Show Cause notice and after considering facts of the case, the bank's reply and personal submissions in the matter, the Reserve Bank concluded that the violations were substantiated and warranted imposition of penalty.

The Reserve Bank has imposed the penalty in exercise of powers vested in it under the provisions of Section 47 A(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACs).

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## **Foreign Exchange for You: RBI Reaches out to Kolkata Public through Exhibition**

**April 18, 2011**

Central banks closely look at foreign exchange flows not only to maintain financial stability but also to ensure hassle-free foreign exchange transactions for trade and individuals. This was the message given by Smt. Shyamala Gopinath, Deputy Governor, Reserve Bank of India. She was inaugurating 'Foreign Exchange For You' – a two-day outreach programme of the Reserve Bank of India on Foreign Exchange being held at the National Library, Kolkata. The foreign exchange regulations have been simplified a great deal over the last several years. There is, however, still an apprehension in the public mind about availability of foreign exchange. The objective of the exhibition is to demystify the subject of foreign exchange and to assure the public that foreign exchange is available to them for all genuine purposes.

The exhibition is open to public between 10.00 a.m. to 6.00 p.m. at the National Library on April 18 and 19, 2011. A few public and private sector banks as well as full-fledged money changers have put their stalls exhibiting foreign exchange facilities available to members of public. A special desk to answer public queries on fictitious offers of foreign exchange is also set up by the Reserve Bank.

Exporters, importers, trade bodies, bankers participated in the interface with the Reserve Bank Deputy Governor, Smt. Gopinath held in the morning today. Students from a few colleges also visited the exhibition and participated in the interface and got clarifications on questions relating to foreign exchange directly from Senior Officials of the Reserve Bank and the banks. The students particularly enjoyed taking the quiz and playing the games based on foreign exchange information gathered through the exhibits displayed at the exhibition.

The Reserve Bank has been conducting such outreach programmes in various parts of the country. The outreach programme includes an exhibition of foreign exchange facilities made available to trade and individuals over the past several years. Interface with the Top Executives of the Reserve Bank of India is a highlight of such outreach programmes.

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## **Dwarakadas Mantri Nagari Sahakari Bank Ltd., Beed, Dist. Beed – Penalised**

**April 19, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on Dwarakadas Mantri Nagari Sahakari Bank Ltd., Beed, Dist. Beed in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACs) for violating Reserve Bank of India directives/instructions relating to 'Loans/Advances to Directors/their relatives/concerns in which they are interested'.

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, bank's reply and personal submissions in

the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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### **IDBI Bank Limited Authorised as Primary Dealer**

**April 19, 2011**

IDBI Bank Limited has been authorised to undertake Primary Dealer business in Government securities market with effect from Wednesday, April 20, 2011 and, concomitantly, the authorisation given to IDBI Gilts Limited as Primary Dealer stands withdrawn.

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### **Reserve Bank Cancels the Licence of Shri Balaji Co-operative Bank Ltd., Nashik (Maharashtra)**

**April 21, 2011**

In view of the fact that Shri Balaji Co-operative Bank Ltd, Nashik, Maharashtra had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank before commencement of business on April 7, 2011. The Registrar of Co-operative Societies, Maharashtra has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. It may be highlighted that on liquidation, every depositor is entitled to repayment of his/her deposits up to a monetary ceiling of ₹1,00,000/- (Rupees One lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The bank was granted a licence by Reserve Bank on October 14, 1996 to commence banking business. The statutory inspection of the bank with reference to its financial position as on March 31, 2009 assessed the CRAR at (-) 3.0 per cent, negative networth of (-) ₹2.84 lakh and erosion in deposits to the extent of 1.6 per cent. Gross and Net NPAs were 91.5 per cent and 81.5 per cent of Gross and Net Advances

respectively on that date. The bank was also advised on January 22, 2010 to step up its recovery efforts and submit a concrete proposal for merger latest by March 31, 2010.

The bank's financial position deteriorated sharply with reference to its financial position as on March 31, 2010 wiping off not only owned funds of the bank but also eroding deposits to the extent of 31.4 per cent. The CRAR of the bank was (-) 88.5 per cent as against the prescribed minimum of 9 per cent. The bank had also defaulted in maintaining of CRR and SLR. In spite of giving sufficient time and opportunity, the bank had not been able to improve its financials or submit any concrete proposal for merger.

Due to its precarious financial position, the bank was placed under directions under Section 35 A of the Banking Regulation Act, 1949 (AACS) vide Directive UBD CO BSD-I No. D-19/12.22.378/2010-11 dated October 18, 2010.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interests of the depositors. The bank did not comply with the provisions of Sections 11(1), 18, 22(3)(a) & (b) and 24 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies). The bank had also not taken any initiative towards recovery of NPAs.

In view of the aforesaid serious deficiencies/irregularities and the deteriorating financial position of the bank, it was issued a notice on December 03, 2010 to show cause (SCN) as to why the licence granted to the bank on October 14, 1996 to conduct banking business should not be cancelled. The bank submitted its reply to the SCN vide its letter dated December 30, 2010. The reply to the SCN was considered and examined but not found satisfactory. Further, no concrete proposal was received from the bank for merger.

Therefore, Reserve Bank of India took the extreme measure of cancelling licence of the bank in the interest of bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the Shri Balaji Co-operative Bank Ltd, Nashik, Maharashtra will be set in



motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Shri Balaji Co-operative Bank Ltd, Nashik, Maharashtra is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Banking Regulation Act, 1949 (AACs) including acceptance and repayment of deposits.

For any clarifications, depositors may approach Smt. K.S. Jyotsna, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2nd Floor, Garment House, Dr. A.B. Road, Worli, Mumbai - 400 018. Telephone Number: (022) 24824203, 24939930, Fax Number: (022) 24935495 Email.

### **WMA Limits for Government of India fixed for the Financial Year 2011-12**

**April 22, 2011**

It has been decided in consultation with the Government of India that the limits for Ways and Means Advances (WMA) for the financial year 2011-12 would be:

₹30,000 crore for April 01, 2011 to April 20, 2011  
 ₹45,000 crore for April 21, 2011 to June 30, 2011  
 ₹30,000 crore for July 01, 2011 to September 30, 2011  
 ₹10,000 crore for October 01, 2011 to March 31, 2012

The Reserve Bank may trigger fresh floatation of market loans when the Government of India utilises 75 per cent of the WMA limit.

The Reserve Bank would retain the flexibility to revise the limits at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.

The interest rate on WMA/overdraft will be:

- a) Ways and Means Advances: Repo Rate
- b) Overdraft: Two percent above the Repo Rate

The minimum balance required to be maintained by the Government of India with the Reserve Bank of India will not be less than ₹100 crore on Fridays, on the date of closure of Government of India's financial year and on June 30, *i.e.*, closure of the annual accounts of the Reserve Bank of India and not less than ₹10 crore on other days.

As per the provisions of the agreement dated March 26, 1997 between the Government of India and the Reserve Bank of India, overdrafts beyond ten consecutive working days will not be allowed.

### **Independence Co-operative Bank Ltd., Nasik – Penalised**

**April 25, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on Independence Co-operative Bank Ltd., 6, 1st Floor, Memon Chamber's, Tilak Path, Nasik - 422 001 in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACs) for violation of Reserve Bank of India directive on Directors related loans.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. Based on the reply the Reserve Bank of India After considering the facts of the case, bank's reply and personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty. Ajit Prasad Assistant General Manager Press Release : 2010-2011/1547

### **The Bhuj Mercantile Co-operative Bank Ltd., Bhuj, Dist. Kutch – Penalised**

**April 25, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only)

on The Bhuj Co-operative Bank Ltd., Bhuj, Dist. Kutch. The penalty was imposed for various violations of RBI instructions relating to Know Yours Customer (KYC) norms, Anti-Money Laundering (AML) guidelines, temporary overdrafts (TOD) and use of the bank's name without the word 'Co-operative'.

The Reserve Bank had issued a show cause notice to The Bhuj Co-operative Bank Ltd., Bhuj, Dist. Kutch. The bank submitted a written reply in response to the Show Cause notice and after considering facts of the case, the bank's reply and personal submissions in the matter, the Reserve Bank concluded that the violations were substantiated and warranted imposition of penalty.

The Reserve Bank has imposed the penalty in exercise of powers vested in it under the provisions of Section 47 A(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACs).

### **RBI imposes Penalty on 19 Commercial Banks for Non-compliance of its instructions on Derivatives**

**April 26, 2011**

The Reserve Bank of India has imposed penalties on 19 commercial banks, as detailed below, 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 instructions issued by the Reserve Bank in respect of derivatives, such as, failure to carry out due diligence in regard to suitability of products, selling derivative products to users not having risk management policies and not verifying the underlying/adequacy of underlying and eligible limits under past performance route.

The Reserve Bank had issued Show Cause Notices to these banks. In response to this, the banks submitted their written replies. On a careful examination of the banks' written replies and the oral submissions made during the personal hearings, the Reserve Bank found

that the violations were established and the penalties were thus imposed.

<b>Sl. No.</b>	<b>Name of banks</b>	<b>Penalty (₹ in Lakh)</b>
1	Axis Bank Ltd	15.00
2	Barclays Bank PLC	15.00
3	HDFC Bank Ltd	15.00
4	ICICI Bank Ltd	15.00
5	Kotak Mahindra Bank Limited	15.00
6	Yes Bank Ltd	15.00
7	BNP Paribas	10.00
8	Citi Bank NA	10.00
9	Credit Agricole - CIB	10.00
10	Development Credit Bank Ltd.	10.00
11	ING Vysya Bank Ltd	10.00
12	Royal Bank of Scotland	10.00
13	Standard Chartered Bank	10.00
14	State Bank of India	10.00
15	Bank of America NA	5.00
16	DBS Bank Ltd.	5.00
17	Deutsche Bank AG	5.00
18	Hongkong and Shanghai Banking Corporation Ltd.	5.00
19	JP Morgan Chase Bank NA	5.00

### **RBI Releases Discussion Paper on Deregulation of Savings Bank Deposit Rate**

**April 28, 2011**

As indicated in the Second Quarter Review of Monetary Policy 2010-11 on November 2, 2010, the Reserve Bank of India has today released on its website a Discussion Paper on 'Deregulation of Savings Bank Deposit Interest Rate'. In the light of pros and cons of deregulation of savings deposit interest rate as set out in the Discussion Paper, the Reserve Bank has sought feedback from the general public on the following issues:

1. Should savings deposit interest rate be deregulated at this point of time?

2. Should savings deposit interest rate be deregulated completely or in a phased manner, subject to a minimum floor for some time?
3. How can the concerns with regard to savers (senior citizens, pensioners, small savers, particularly in rural and semi-urban areas) be addressed in case savings deposit interest rate is deregulated?
4. How serious are concerns relating to a possible intense competition amongst banks and asset-liability mismatches if savings deposit interest rate is deregulated?
5. Should higher interest rate be paid on savings deposits without a cheque book facility?

Suggestions and comments may please be sent by May 20, 2011 to the Adviser-in-Charge, Reserve Bank of India, Monetary Policy Department, Central Office, 24th floor, Central Office Building, Mumbai-400001 or by email.

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## **Manipal Co-operative Bank Ltd., Manipal, Karnataka – Penalised**

**April 29, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on Manipal Co-operative Bank Ltd., Manipal, Karnataka in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS) for violating Reserve Bank of India directives/instructions by granting loans for real estate purpose exceeding the single party exposure limit of 15 per cent of its capital funds as on September 30, 2009 and real estate exposure limit of 15 per cent of its deposits as on March 31, 2009.

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, bank's reply and personal submissions in the matter, the Reserve Bank came to the conclusion that the violations were substantiated and warranted imposition of the penalty.