

## Press Releases\*

July 2011

### Shri Harun Rashid Khan Assumes Charge as RBI Deputy Governor

July 4, 2011

Shri Harun Rashid Khan took over today as Deputy Governor of the Reserve Bank of India. As Deputy Governor he has been appointed for a period of three years. He will look after Central Security Cell, Department of External Investments and Operations, Department of Government and Bank Accounts, Department of Payment and Settlement Systems, Foreign Exchange Department, Internal Debt Management Department and Inspection Department.

Prior to being appointed as Deputy Governor Shri Khan was Executive Director of Reserve Bank of India since October 2007 and looked after the Department of External Investments and Operations, Foreign Exchange Department, Internal Debt Management Department and Department of Government and Bank Accounts. He was earlier Regional Director of the Bank's New Delhi Office and prior to that he was Principal of the College of Agricultural Banking in Pune. Shri Khan's central banking career spanned over 32 years during which he has discharged diverse responsibilities in RBI in areas of rural credit, currency management, banking supervision & regulation, debt management, reserve management, exchange control, personnel administration and internal accounts of the Bank. Shri Khan has been associated with number of internal and external committees, such as, Committee on Technology Exports, Committee on Ways and Means Advances to the State Governments (as Member Secretary), Working Group on Instruments of Sterilisation (as Convener), International Task Force on Central Counterparties (CCPs), Working Group on Model Fiscal Responsibility and Budget Management Bill for States (as Convener).

He was closely involved with the Internal Group of RBI on Rural Credit and Microfinance (popularly known as the Khan Committee) as the chairman. Based

\* Important Press Releases during July 2011.

on the recommendations of the Khan Committee, the Reserve Bank issued guidelines to expand the banking outreach through Business Facilitators and Business Correspondents with ICT support for spearheading financial inclusion in the country.

As Executive Director, Shri Khan represented the Reserve Bank on the Working Group on the G-20 on 'Reinforcing International Cooperation & Market Integrity' and the Committee on Global Financial Systems (CGFS) of the Bank for International Settlement (BIS).

Shri Khan was also the Nominee Director of the Reserve Bank on the boards of Dena Bank, Bank of Maharashtra, Punjab and Sind Bank, Bank of Rajasthan and the Orissa State Finance Corporation (OSFC).

Shri Khan joined Reserve Bank in 1978 after his Masters in Political Science from Utkal University, Bhubaneswar and Masters in Philosophy from the School of International Studies, Jawaharlal Nehru University, New Delhi. Shri Khan is a Certified Associate of the Indian Institute of Banking and Finance (CAIIB) and holds Diploma in Business Management (DBM). He is married to Rosy and has a daughter, Sara.

### Citibank N.A. – Penalised

July 4, 2011

The Reserve Bank of India has imposed a monetary penalty of ₹25.00 lakh (Rupees twenty five lakh only) on Citibank N.A., in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) of the Banking Regulation Act, 1949 for contravention of various guidelines and instructions relating to Know Your Bank (KYC)/Anti-Money Laundering (AML) issued by the Reserve Bank of India. The failure in following the KYC/AML guidelines while opening accounts led to the perpetration of a fraud at its Gurgaon branch.

The Reserve Bank of India had issued a show cause notice to the bank on April 21, 2011, in response

to which the bank submitted a written reply dated May 6, 2011. After considering the facts of the case and the bank's reply and also oral submissions made during the personal hearings held on June 7, 2011, the Reserve Bank of India came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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### **Shri G. Padmanabhan Takes Charge as New ED at RBI**

**July 4, 2011**

Shri G. Padmanabhan assumed charge as Executive Director of the Reserve Bank of India today. As Executive Director, Shri Padmanabhan will look after Department of Information and Technology, Department of Payment and Settlement Systems and Foreign Exchange Department.

Prior to his appointment as Executive Director, Shri Padmanabhan was heading the Department of Payment & Settlement Systems in the Bank since March 2005.

He is a post graduate in Economics (First Class-First) from the University of Kerala and an MBA (International Banking and Finance) from the Birmingham University, UK.

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### **RBI Releases Compendium CD of Articles on State Finances (1950-51 to 2010-11)**

**July 7, 2011**

The Reserve Bank of India today released Compendium CD of Articles on State Finances from 1950-51 to 2010-11. The Reserve Bank of India has been bringing out the publication 'State Finances: A Study of Budgets' every year since 1950-51 that presents a comprehensive and analytical picture of budgetary operations of State governments. It provides a summarised position of State finances in terms of fiscal indicators such as revenue and fiscal deficits and debt position at the consolidated level as well as at the individual State level. Apart from providing information on issues of topical importance, the publication sets out details of important policy

measures undertaken by the State governments, the Centre and the Reserve Bank from time to time. While the articles on State finances published since 2001-02 are already available on the Reserve Bank's website, this Compendium CD provides access to all the articles published since 1950-51 to 2010-11 at one place.

The Reserve Bank's publication on State finances has been extensively used by research institutions, policy makers, academicians and students from India and abroad. Availability of the entire series of articles in the compendium CD would provide data on State finances from 1950-51 onwards and facilitate research in this area.

Orders for the purchase of Compendium CD can be placed with the Director, Division of Reports and Knowledge Dissemination, Department of Economic and Policy Research, Reserve Bank of India, Amar Building, Sixth Floor, P. M. Road, Mumbai - 400 001 on payment through demand draft or cheque drawn in favour of the Reserve Bank of India, payable at Mumbai only as per the rates indicated below:

<b>Price for Compendium CD</b>	
In India	₹ 280 (Normal)
	₹ 305 (Inclusive of postage)
	₹ 210 (Concessional)
	₹ 235 (Concessional including postal charges)
Abroad	USD 8 (Inclusive of air-mail book post charges)

Feedback/comments on the Compendium CD may please be sent to Director, Fiscal Analysis Division, Department of Economic and Policy Research, Reserve Bank of India, Shahid Bhagat Singh Road, Mumbai 400 001 or email.

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### **RBI Board Meets at Chennai**

**July 7, 2011**

The Central Board of the Reserve Bank of India met in Chennai. The meeting reviewed key economic, monetary and financial developments.

Dr. D. Subbarao, Governor, Reserve Bank of India chaired the meeting. Shri Y. H. Malegam, Prof. U. R. Rao, Shri Lakshmi Chand, Shri H. P. Ranina, Smt. Shashi Rajagopalan, Shri Suresh Neotia, Dr. A. Vaidyanathan, Prof M. M. Sharma and Shri Sanjay Labroo were present

at the meeting of the Central Board. Deputy Governors of the Reserve Bank, Dr. K.C. Chakrabarty, Dr. Subir Gokarn, Shri Anand Sinha and Shri H. R. Khan were also present.

The Central Board of Directors of the Reserve Bank meets at least once every quarter. The Board has scheduled meetings in Mumbai, Chennai and Kolkata each year. The post-budget meeting of the Board, traditionally held in New Delhi, is addressed by the Union Finance Minister. The other meetings of the Board are held in the remaining state capitals by rotation. The main function of the Central Board of the Reserve Bank is to provide overall direction to its affairs.

The Governor and the Top Management of the Reserve Bank met with State Government officials and bankers. The Governor appreciated the fact that Tamil Nadu has the highest Credit Deposit ratio in the country at 114 per cent. The other issues which were discussed include routing of National Rural Employment Guarantee Scheme (NREGS) and Old Age Pension payments through bank accounts. The reasons for the low coverage of the crop insurance and measures of increasing lending to Micro Small and Medium Enterprises (MSME) were also deliberated in detail.

The Governor called on Dr. (Kum.) J Jayalithaa, the Chief Minister of Tamil Nadu, and apprised her of the current macroeconomic situation and the growth-inflation dynamics of the country and of the efforts being made by the Reserve Bank of India to combat inflation. To a query by the Chief Minister about what the State Government can do to ease the supply response, the Governor suggested that the Government could focus on rural infrastructure and providing market access to farmers. The Chief Minister solicited Reserve Bank's support for the State Government's initiative in delivering pensions through bank accounts. The Governor assured the Chief Minister that he will do so and in particular for launching the scheme in Trichy and Kanyakumari Districts on a pilot basis. The Chief Minister and the RBI Governor also discussed the problems confronting the textile units and the Common Effluent Treatment Plants (CETPs) in Tirupur. The Chief Minister said that the State Government is

deeply engaged in finding a sustainable solution to the problem in conformity with the High Court order. The Governor invited the Chief Minister to attend and chair the State Level Bankers Committee Meeting (SLBC) and the Chief Minister responded enthusiastically to the invitation.

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### **Kolhapur District Central Co-operative Bank Ltd. – Penalised**

**July 8, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on Kolhapur District Central Co-operative Bank Ltd., Kolhapur, Maharashtra in exercise of powers vested in it under the provisions of Section 46 read with Section 47A of the Banking Regulation Act, 1949 (AACS) for violating guidelines issued by the Reserve Bank on Know Your Customers (KYC) norms/Anti-Money Laundering (AML) standards.

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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### **The Dahod Urban Co-operative Bank Limited, Dahod – Penalised**

**July 11, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1 lakh (Rupees one lakh only) on The Dahod Urban Co-operative Bank Limited, Dahod, 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 directives/guidelines relating to share linking norms, single and group borrower exposure limits, grant of donation beyond the permissible limit, formulation of Know Your Customer (KYC) policy and adherence to KYC and Anti Money Laundering 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 as also personal submissions in the matter, the Reserve Bank of India came to the conclusion that the violations were substantiated and warranted imposition of the penalty.

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### **Pragati Sahakari Bank Limited, Vadodara – Penalised**

**July 11, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1 lakh (Rupees one lakh only) on Pragati Sahakari Bank Limited, Vadodara, 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 directives/instructions/guidelines relating to share linking norms, single borrower exposure ceiling and Anti-Money Laundering (AML) guidelines for reporting the 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 replies 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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### **The Mehsana Urban Co-operative Bank Ltd. – Penalised**

**July 13, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Mehsana Urban Co-operative Bank Ltd., Mehsana, 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 directives/guidelines relating to admission of co-operative societies as nominal members in violation of provisions of Section 5(ccv)

of B.R.Act, 1949 (AACS), bank's exposure to real estate beyond the permissible limit, violation of Know Your Customer (KYC) norms and violation of Section 20 A of the B.R. Act 1949 (AACS) in respect of waiving of interest on a director related advance.

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

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### **Kodagu District Co-operative Central Bank Ltd. – Penalised**

**July 13, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5.00 lakh (Rupees five lakh only) on Kodagu District Co-operative Central Bank Ltd., Madikeri, N. Kodagu (Karnataka) in exercise of powers vested in it under the provisions of Section 46 read with Section 47A of the Banking Regulation Act, 1949 (AACS) for violating regulatory guidelines issued by the Reserve Bank on Non-SLR investments.

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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### **Regularisation of Liaison Offices/Branch Offices of Foreign Entities Established in India during the pre-FEMA Regime**

**July 8, 2011**

The Reserve Bank of India has issued an A.P. (DIR Series) Circular on the captioned subject on its website [www.rbi.org.in](http://www.rbi.org.in).

It is observed that certain Liaison Offices (LO)/ Branch Offices (BO) established by foreign Non Government Organisations (NGOs), Non Profit

Organisations (NPOs), news agencies and other foreign entities are continuing to function in India, without the approval of the Reserve Bank, even after the Foreign Exchange Management Act (FEMA), 1999 came into force from June 1, 2000.

Under the provisions of FEMA Act 1999, liaison offices/branch offices can only be established with the prior permission from the Reserve Bank of India. Reserve Bank of India considers the requests of such entities to open an office in India, in consultation with Government of India, wherever required.

Accordingly, the foreign entities which have established LO or BO in India without obtaining permission from the Reserve Bank of India should approach the Reserve Bank within a period of 90 days from the date of the A.P. (DIR Series) Circular No.02 dated July 15, 2011 for regularization of establishment of such offices in India, in terms of the extant FEMA provisions. Further, the foreign entities who have established LO or BO with the permission from the Government of India may also approach the Reserve Bank along with a copy of the said approval for allotment of a Unique Identification Number (UIN) by the Reserve Bank of India.

The foreign entities are also requested to be guided by the latest guidelines and procedures for establishment of LO or BO by foreign entities issued vide A.P. (DIR Series) Circular Nos. 23 and 24 dated December 30, 2009, as amended from time to time, as available on our web site [www.rbi.org.in](http://www.rbi.org.in) ® Notifications ®FEMA.

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### **The Pioneer Urban Co-operative Bank Ltd., Belgaum, Karnataka – Penalised**

**July 15, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5 lakh (Rupees five lakh only) on The Pioneer Urban Co-operative Bank Ltd., Belgaum, Karnataka, 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) for violating the Reserve Bank's instructions for sanctioning loan to a company in which a director of

the Bank is interested and suppressing such information by not reporting it in the relevant quarterly statement proforma I & II submitted to the Reserve Bank of India.

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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### **The Jagruti Co-operative Bank Ltd., Belgaum, Karnataka – Penalised**

**July 15, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5 lakh (Rupees five lakh only) on The Jagruti Co-operative Bank Ltd., Belgaum, Karnataka, 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) for violating the Reserve Bank of India's instructions by sanctioning loans to present directors, their relatives and firms/concerns in which they are interested and suppressing such information by not reporting it in the relevant quarterly statement proforma I & II submitted to the Reserve Bank of India.

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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### **The Citizen Co-operative Bank Limited, Bangalore – Penalised**

**July 15, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5 lakh (Rupees five lakh only) on The Citizen Co-operative Bank Limited, Bangalore, 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) for violating the Reserve Bank of India's instructions by sanctioning/renewing loans to the relatives of the director of the bank and suppressing such information by not reporting it in the relevant quarterly statement proforma I & II submitted to the Reserve Bank of India.

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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### **Monitoring Group on Cash and Debt Management of GOI Met**

**July 21, 2011**

The Monitoring Group on Cash and Debt Management met in New Delhi. The cash position and market borrowing of the Government was reviewed. It has been decided that there will be no change in the amount of market borrowing through dated securities with reference to the first half (April-September 2011) borrowing calendar published earlier. However, the Reserve Bank of India, in consultation with the Government of India, has decided to shift the auction of dated securities scheduled in the week ending September 23, 2011 to week ending August 19, 2011 to modulate the cash flows. It was also decided that temporary mismatches in cash flows, if any, would be managed by issuance of Cash Management Bills (CMBs).

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### **State Bank of India Commercial and International Bank Limited Branches Start Operating as SBI Branches**

**July 29, 2011**

All branches of State Bank of India Commercial and International Bank Limited started functioning as

branches of State Bank of India from July 29, 2011. Customers, including depositors, of State Bank of India Commercial and International Bank Limited are able to operate their accounts as customers of State Bank of India.

The change came in the wake of the Government of India issuing the Acquisition of State Bank of India Commercial and International Bank Limited Order, 2011. The notification, published in the Gazette of India under Extraordinary Part II-Section 3 (i), sanctions the acquisition of State Bank of India Commercial and International Bank Limited by State Bank of India in terms of section 35(2) of the State Bank of India Act, 1955. The Order of Acquisition is effective on July 29, 2011.

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### **The Kalupur Commercial Bank Ltd., Ahmedabad – Penalised**

**July 29, 2011**

The Reserve Bank of India has imposed a monetary penalty of ₹5 lakh (Rupees five lakh only) on The Kalupur Commercial Co-operative Bank Ltd., Ahmedabad, District Ahmedabad 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 (As Applicable to Co-operative Societies), for violation of provisions of Banking Regulation Act/ Reserve Bank of India directives/instructions relating to Know Your Customers (KYC) norms, membership to co-operative credit societies, displaying short name of the bank, using the word 'bank' in its related entities and extension of credit facilities to units outside the area of operations.

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