

PRESS RELEASE



RESERVE BANK OF INDIA

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RBI takes penal action against Jammu and Kashmir Bank Ltd.

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47 A (1)(b) of the Banking Regulation Act 1949, has imposed a monetary penalty of Rs.5.00 lakhs (Rupees five lakhs only) on Jammu and Kashmir Bank Ltd., for violation of Sec 20(1) of Banking Regulation Act 1949.

While granting Letter of Credit facilities to one of its constituents, the bank had failed to ensure that adequate and effective arrangements were made by the constituent to meet the commitments under the LCs, even though the bank was aware that one of the Directors on its Board, was also a Director on the Board of its constituent. This had resulted in devolvement of LC on the bank and fund based exposure to the constituent and thereby violating the provisions of Sec 20 (1) of the Banking Regulation Act, 1949.

The Reserve Bank had issued a Show Cause notice to the bank. In response to the show cause notice, the bank had submitted its written reply and the Chief Executive Officer had also sought personal hearing with the Reserve Bank which was granted.

On careful examination of the bank's submissions, the Reserve Bank has come to a conclusion that the aforesaid violation was substantiated and accordingly the penalty was imposed. The details of the irregularity / violation have been placed on the RBI website.

It may be recalled that in October 2004, as a part of measures to improve the transparency of banks, the Reserve Bank had announced its decision to disclose in public domain information on penalties imposed on banks after due process of advising a bank and seeking its explanation as also after giving the bank an opportunity for being heard.

G. Raghuraj
Deputy General Manager

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