

**RESERVE BANK OF INDIA**[www.rbi.org.in](http://www.rbi.org.in)[www.rbi.org.in/hindi](http://www.rbi.org.in/hindi)e-mail: [helpprdr@rbi.org.in](mailto:helpprdr@rbi.org.in)

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### **RBI takes Penal Action against Bank of Baroda**

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 lakh (Rupees five lakh only) on Bank of Baroda, for violation of provisions of Banking Regulation Act, 1949.

During the course of Annual Financial Inspections of the bank, the Reserve Bank had observed that the bank had netted the items representing internal and external liabilities in the inter-office (inter-branch) accounts, resulting in under-estimation of the outside liabilities for the purpose of computation of Net Demand and Time Liabilities and maintenance of Cash Reserve Ratio/Statutory Liquidity Ratio, during the period from April 1999 to March 2002. This was in violation of the provisions of Section 24 of Banking Regulation Act, 1949.

When the bank was advised to submit revised returns – for the relevant period, the bank sought exemption from submission of revised returns, on grounds of basic constraint of inadequacy of accounting system in vogue at the relevant time.

The Reserve Bank issued a show cause notice to the bank, in response to which the bank submitted its written reply. The Chairman and Managing Director also sought personal hearing with the Reserve Bank, which was granted.

On careful examination of the bank's submissions, the Reserve Bank came to the conclusion that the violation was substantiated and accordingly penalised the bank.

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 the bank and seeking its explanation as also after giving the bank an opportunity of being heard.

**Alpana Killawala**  
Chief General Manager