



RESERVE BANK OF INDIA

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RBI takes penal action against Canara Bank

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

It was observed that the bank had been following an estimation method for reckoning the external liabilities under inter-branch account for computation of its Demand and Time Liabilities (DTL)/Net Demand and Time Liabilities (NDTL) for the purpose of maintaining Cash Reserve Ratio (CRR) /Statutory Liquidity Ratio (SLR). The bank had revised and introduced a proper system of reckoning the external liabilities under inter-branch account only in September 2005. Further, when the bank was advised to submit revised Form A and Form VIII returns for the relevant period, the bank was unable to compile the revised returns on grounds of absence of data.

The Reserve Bank issued a Show Cause notice to the bank. In response to the Show Cause Notice, the bank had submitted its written reply and the Chairman and Managing Director 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 the conclusion that the aforesaid violation was substantiated and accordingly the penalty was imposed.

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

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