



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI penalises Credit Agricole – Corporate & Investment Bank and Karnataka Bank for Non-Compliance with Its Directives on Derivatives

The Reserve Bank of India has imposed a penalty of Rs.10 lakh (Rupees Ten Lakh only) on Credit Agricole – Corporate & Investment Bank and a penalty of Rs. Five lakh (Rupees five lakh only) on Karnataka Bank Limited for non-compliance with its directives on derivatives.

The penalty on Credit Agricole – Corporate & Investment Bank has been imposed for failing to carry out proper due diligence on user appropriateness and suitability of products and the compliance function in the bank failing to ensure strict observance of all statutory provisions contained in various legislations, issued by the Reserve Bank in respect of derivative transactions.

The penalty on Karnataka Bank Limited has been imposed for failing to carry out proper due diligence on user appropriateness and suitability of products and failing to document the pricing, periodical valuation of products and quantifying financial risks in derivatives.

The Reserve Bank had issued show cause notice to both the banks. The banks submitted their written replies in response to the Reserve Bank. On a careful examination of the banks' responses and their oral submissions made during the personal hearings, the Reserve Bank found that the violations were conclusively established. The Reserve Bank of India therefore penalised these banks 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.

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Alpana Killawala
Chief General Manager