

**भारतीय रिज़र्व बैंक**
RESERVE BANK OF INDIAवेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inई-मेल/email : helpdoc@rbi.org.in

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**RBI imposes monetary penalty on The Karnavati Co-operative Bank Ltd.,
Ahmedabad, Gujarat**

The Reserve Bank of India (RBI) has, by an order dated August 31, 2023, imposed a monetary penalty of ₹1.50 Lakh (Rupees One Lakh Fifty Thousand only) on The Karnavati Co-operative Bank Ltd., Ahmedabad, Gujarat (the bank) for non-compliance with the directions issued by RBI on 'Loans and advances to directors, relatives and firms/concerns in which they are interested' read with 'Loans and advances to directors etc.- directors as surety/guarantors- Clarification', and 'Frauds in UCBs: Changes in Monitoring and Reporting mechanism'. This penalty has been imposed in exercise of powers vested in the RBI under the provisions of Section 47 A (1) (c) read with Sections 46 (4) (i) and 56 of the Banking Regulation Act, 1949.

This action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers.

Background

The statutory inspection of the bank conducted by RBI with reference to its financial position as on March 31, 2022, and examination of the Inspection Report, Risk Assessment Report and all correspondence pertaining to the same, revealed, *inter alia*, that the bank had (i) sanctioned a loan wherein relative of one of the directors of the bank stood as guarantor, and (ii) not reported a fraud case to RBI within prescribed timeline. In furtherance to the same, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for failure to comply with the directions, as stated therein.

After considering the bank's reply to the notice and oral submissions made by it during the personal hearing, RBI came to the conclusion that the charge of non-compliance with the aforesaid RBI directions was substantiated and warranted imposition of monetary penalty.