



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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**Reserve Bank of India imposes monetary penalty on
The Mehsana Urban Co-operative Bank Ltd., Mehsana, Gujarat**

The Reserve Bank of India (RBI) has, by order dated November 04, 2019, imposed monetary penalty of ₹5 Crore on The Mehsana Urban Co-operative Bank Ltd., Mehsana, Gujarat (the bank) for contravention of the directions issued by RBI on 'Loans and Advances to Directors, Relatives and Firms/Concerns in which they are Interested', and non-compliance with the Master Directions on 'Know Your Customer (KYC)'. The penalty has been imposed in exercise of powers vested in RBI under the provisions of Section 47A(1)(c) read with Section 46(4)(i) and Section 56 of the Banking Regulation Act, 1949 for failure of the bank to adhere to the aforesaid directions issued by RBI.

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 with reference to its financial position as on March 31, 2018, conducted by RBI, revealed, non-compliance with RBI directions contained in various circulars on 'Loans and Advances to Directors, Relatives and Firms/Concerns in which they are Interested', 'Exposure Norms and Statutory/Other Restrictions – UCBs', 'Loans and advances to Directors etc. - Directors as Surety/Guarantors-Clarification-UCBs', 'Credit Exposure Norms and Statutory/Other Restrictions on Loans & Advances', 'Depositor Education and Awareness Fund Scheme, 2014 – Section 26A of Banking Regulation Act, 1949 - Operational Guidelines', 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs)' and Master Directions on 'Know Your Customer (KYC)'. A Notice was issued to the bank to show cause as to why monetary penalty should not be imposed for non-compliance with the aforesaid directions. After considering the bank's reply and oral submissions made during the personal hearing, RBI came to conclusion that the charges regarding non-compliance with RBI directions on 'Loans and Advances to Directors, Relatives and Firms/Concerns in which they are Interested' and 'Know Your Customer (KYC)' were established which warranted imposition of monetary penalty.