



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल/email : helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, फोर्ट, मुंबई-400001

Department of Communication, Central Office, S.B.S.Marg, Fort, Mumbai-400001

फोन/Phone: 022- 22660502

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RBI imposes monetary penalty on The Nainital Bank Ltd., Uttarakhand

The Reserve Bank of India (RBI) has, by an order dated October 28, 2021, imposed a monetary penalty of ₹56 lakh (Rupees Fifty Six lakh only) on The Nainital Bank Ltd., Uttarakhand (the bank) for non-compliance with the directions contained in RBI circulars on "Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances - Divergence in NPA Accounts" dated August 04, 2011 read with [Master Circular on "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" dated July 01, 2015](#), ["Disclosure in the "Notes to Accounts" to the Financial Statements - Divergence in the Asset Classification and Provisioning" dated April 18, 2017](#) and ["Frauds – Classification and Reporting by commercial banks and select FIs dated July 01, 2016"](#) (updated as on July 03, 2017). This penalty has been imposed in exercise of powers vested in RBI under the provisions of section 47 A (1) (c) read with section 46 (4) (i) of the Banking Regulation Act, 1949.

This action is based on the 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 for Supervisory Evaluation (ISE) of the bank was conducted by RBI with reference to its financial position as on March 31, 2019, and the examination of the Risk Assessment Report, Inspection Report and all related correspondence pertaining to the same, revealed, *inter alia*, non-compliance with the above-mentioned directions to the extent of (i) divergence between bank's reported NPAs and NPAs assessed by the Inspection on account of failure to classify certain borrower accounts as NPA, (ii) failure to disclose material divergences relating to asset classification and provisioning identified by RBI, despite exceeding the defined threshold, in the Notes to Accounts and (iii) failure to report frauds as per RBI directions. 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 non-compliance with the RBI directions, as stated therein.

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