

**भारतीय रिज़र्व बैंक**
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RBI imposes monetary penalty on Zoroastrian Co-operative Bank Ltd., Bombay

The Reserve Bank of India (RBI) has, by an order dated November 23, 2022, imposed a monetary penalty of ₹1.25 crore (Rupees one crore twenty-five lakh only) on Zoroastrian Co-operative Bank Ltd., Bombay (the bank) for non-compliance with RBI directions on 'Discounting of Bills by UCBs – Restricted Letters of Credit (LC)' and the provisions of the Co-operative Banks (Period of Preservation of Records) Rules, 1985 (Rules) framed under section 45Y read with section 56 of Banking Regulation Act, 1949 (BR Act). This penalty has been imposed in exercise of powers vested in RBI conferred under section 47A(1)(c) read with sections 46(4)(i) and 56 of BR Act.

This action is based on deficiency 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, 2020, and examination of the Risk Assessment Report pertaining thereto, Forensic Audit Report (FAR) by an external auditor and all related correspondence in the matter revealed, *inter alia*, that the bank had failed to comply with RBI directions on 'Discounting of Bills by UCBs – Restricted Letters of Credit (LC)' and the provisions of the Rules, as it discounted accommodation bills under LCs without establishing the genuineness of underlying transactions / documents and failed to preserve records in good order for a period of eight years. 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 for non-compliance with the RBI directions/Rules, as stated therein.

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