



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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December 19, 2022

RBI imposes monetary penalty on The Bhuj Mercantile Co-operative Bank Ltd., Ahmedabad (Gujarat)

The Reserve Bank of India (RBI) has imposed, by an order dated December 14, 2022, a monetary penalty of ₹7.00 lakh (Rupees Seven Lakh only) on The Bhuj Mercantile Co-operative Bank Ltd., Ahmedabad (Gujarat) (the bank) for contravention of directions issued by RBI on '[Loans and advances to directors etc- directors as surety/guarantors-Clarification](#)' and 'Master Circular- Management of Advances – UCBs'. 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, taking into account the 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 conducted by RBI with reference to its financial position as on March 31, 2021, the Inspection Report and Risk Assessment Report pertaining thereto and examination of all related correspondence revealed, inter alia, that the bank had sanctioned thirty-five loans, wherein relatives of its directors stood as surety / guarantor and did not monitor end use of certain loans sanctioned, resulting in contravention of aforesaid directions issued by RBI. Based on 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 directions issued by RBI.

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