

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

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**Reserve Bank of India imposes monetary penalty on The Associate
Co-operative Bank Ltd., Surat (Gujarat)**

The Reserve Bank of India (RBI) has, by an order dated January 19, 2022, imposed a monetary penalty of ₹4.00 lakh (Rupees four lakh only) on The Associate Co-operative Bank Ltd., Surat (Gujarat) (the bank) for contravention of 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 \(KYC\)](#)'. 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) and Section 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 the RBI with reference to the bank's financial position as on March 31, 2019, the Inspection Report pertaining thereto and examination of all related correspondence revealed, inter alia, that the bank had extended credit facilities to some of its directors and firms of their relatives, and that the bank had failed to undertake ongoing due diligence for effective identification and reporting of suspicious transactions in certain current accounts of its customers, resulting in contravention of aforesaid directions issued by RBI. 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 contravention of the aforesaid directions issued by the 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 charges were substantiated and warranted imposition of monetary penalty.