



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

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## RBI imposes monetary penalty on Indian Overseas Bank

The Reserve Bank of India (RBI) has, by an order dated May 29, 2023, imposed a monetary penalty of ₹2.20 Crore (Rupees Two Crore and twenty Lakh only) on Indian Overseas Bank (the bank) for contravention of the provisions of sub-section (1) of section 17 of the Banking Regulation Act, 1949 (the Act) and non-compliance with certain directions issued by RBI on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances - Divergence in NPA Accounts', 'Reserve Bank of India (Interest Rate on Deposits) Directions, 2016' and Advisory on 'Man in the Middle (MiTM) Attacks in ATMs'. This penalty has been imposed in exercise of powers vested in RBI under the provisions of section 47 A (1) (c) read with sections 46 (4) (i) and 51 (1) of the Act.

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 of the bank (ISE 2021) was conducted by RBI with reference to its financial position as on March 31, 2021. The examination of the Risk Assessment Report/Inspection Report pertaining to ISE 2021, compliance position of the bank to the Advisory, and all related correspondence, revealed, *inter-alia*, contravention of the above mentioned provisions of the Act and non-compliance with the aforesaid directions by the bank, to the extent (i) it failed to make minimum mandatory transfer of a sum equivalent to 25 per cent of its disclosed profit for the year 2020-21 to its reserve fund, (ii) there was significant divergence between the NPAs, as reported by it and as assessed by the inspection, (iii) it offered interest on deposits of non-individual constituents at rates applicable to senior / super senior citizens, in certain instances, and (iv) it failed to implement control measures for ATMs relating to end-to-end encryption of communication between the ATM terminal/PC and the ATM Switch, within the timelines prescribed. In furtherance to the same, two notices were issued to the bank advising it to show cause as to why penalty should not be imposed on it for failure to comply with the provisions of the Act and the directions issued by RBI, as stated therein.

After considering the bank's replies to the notices, oral submissions made during the personal hearing and examination of additional submissions made by it, RBI came to the conclusion that the aforementioned charges of contravention/ non-compliance were substantiated and warranted imposition of monetary penalty on the bank.