

**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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June 23, 2023

RBI imposes monetary penalty on Bank of Maharashtra

The Reserve Bank of India (RBI) has, by an order dated June 22, 2023, imposed a monetary penalty of ₹1.45 Crore (Rupees One Crore and forty five Lakh only) on Bank of Maharashtra (the bank) for non-compliance with certain directions issued by RBI on 'Loans and Advances – Statutory and Other Restrictions' and Advisory on 'Man in the Middle (MiTM) Attacks in ATMs' (the Advisory). This penalty has been imposed in exercise of powers vested in RBI conferred under the provisions of section 47 A (1) (c) read with sections 46 (4) (i) and 51 (1) 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 2021) of the bank 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 in that regard, revealed, *inter-alia*, non-compliance with the aforesaid directions by the bank, to the extent (1) it sanctioned a term loan to a Corporation (i) in lieu of or to substitute budgetary resources envisaged for certain projects; (ii) without undertaking due diligence on the viability and bankability of the projects to ensure that revenue streams from the projects were sufficient to take care of the debt servicing obligations; and (iii) the repayment/servicing of which was made out of budgetary resources, and (2) it failed to implement required control measures for ATMs relating to end-to-end encryption of communication between the ATM terminal/PC and the ATM Switch, within the prescribed timeline. 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 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 non-compliance were substantiated and warranted imposition of monetary penalty on the bank, to the extent of non-compliance with such directions.