

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

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस. मार्ग, फोर्ट, मुंबई - 400 001

Department of Communication, Central Office, S.B.S. Marg, Fort, Mumbai - 400 001

फोन/Phone: 022 - 2266 0502

July 04, 2022

RBI imposes monetary penalty on Kotak Mahindra Bank Limited

The Reserve Bank of India (RBI) has, by an order dated June 29, 2022, imposed a monetary penalty of ₹1,05,00,000/- (Rupees one crore and five lakh only) on Kotak Mahindra Bank Limited (the bank) for contravention of the provisions of sub-section (2) of Section 26A of the Banking Regulation Act, 1949 (the Act) read with paragraph 3 of 'The Depositor Education and Awareness Fund Scheme, 2014' and for non-compliance with the directions on 'Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions', and 'Loans and Advances – Statutory and Other Restrictions'. 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) 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 (ISE) of the bank was conducted by RBI with reference to its financial positions as on March 31, 2018 and March 31, 2019. The examination of the Risk Assessment Reports, Inspection Reports and all related correspondence pertaining to the same, revealed, *inter alia*, contravention of / non-compliance with the above-mentioned provisions of the Act and the directions issued by RBI, to the extent the bank failed to (i) credit the eligible amount to the Depositor Education and Awareness Fund within the period prescribed, (ii) credit (shadow reversal) the amount involved in the unauthorised electronic transactions to the customers' account within 10 working days from the date of notification by the customer, in certain cases, and (iii) maintain/ apply margin on advances to stock brokers. 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 on it for contravention of the provisions of the Act and failure to comply with the directions issued by RBI, as stated therein.

After considering the bank's reply to the notice, oral submissions made in the personal hearing, and examination of additional submissions made by the bank, RBI came to the conclusion that the charges of contravention of / non-compliance with the aforesaid provisions of the Act / RBI directions were substantiated and warranted imposition of monetary penalty on the bank, to the extent of contravention of / non-compliance with such provisions of the Act / RBI directions.