

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

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RBI imposes monetary penalty on Federal Bank Limited

The Reserve Bank of India (RBI) has, by an order dated July 7, 2022, imposed a monetary penalty of ₹5.72 crore (Rupees Five crore and seventy-two lakh only) on Federal Bank Ltd. (the bank) for non-compliance with the provisions of 'Reserve Bank of India (Financial Services provided by Banks) Directions, 2016' issued by RBI. 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) 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) of the bank conducted by RBI with reference to the bank's financial position as on March 31, 2020 & the subsequent supervisory assessment carried out by RBI, and examination of the Risk Assessment Report, Scrutiny Report and all related correspondence pertaining to the same, revealed, *inter alia*, non-compliance with the aforesaid RBI directions to the extent the bank failed to ensure that no incentive (cash or non-cash) was paid to its staff engaged in insurance broking/corporate agency services by the insurance company. 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 failure to comply with the said directions, as stated therein.

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