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RESERVE BANK OF INDIA

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August 12, 2021

RBI imposes monetary penalty on Village Financial Services Limited, Kolkata

The Reserve Bank of India (RBI) has, by an order dated August 11, 2021, imposed a monetary penalty of ₹5 lakh (Rupees Five Lakh only) on Village Financial Services Ltd, Kolkata (the company), for non-compliance with certain provisions of the "Reserve Bank of India ([Know Your Customer \(KYC\)](#)) Directions, 2016". This penalty has been imposed in exercise of powers vested in RBI under the provisions of clause (b) of sub-section (1) of section 58 G read with clause (aa) of sub-section (5) of section 58 B of the Reserve Bank of India Act, 1934, taking into account the failure of the company 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 company with its customers.

Background

The statutory inspection of Village Financial Services Ltd, with reference to its financial position as on March 31, 2018 and March 31, 2019, revealed non-compliance with the statutory directions, including, *inter alia*, the company's failure to put in place a robust software for effective identification and reporting of suspicious transactions. In furtherance to the same, a notice was issued to the company advising it to show cause why penalty should not be imposed on it for failure to comply with the directions issued by RBI. After considering the company's reply to the notice, oral submissions made during the personal hearing and examination of additional submissions made by it, RBI came to the conclusion that the charge of non-compliance with aforesaid RBI directions was substantiated and warranted imposition of monetary penalty.

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(Yogesh Dayal)
Chief General Manager