



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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July 12, 2024

RBI imposes monetary penalty on The Mehsana Urban Co-operative Bank Ltd., Gujarat

The Reserve Bank of India (RBI) has, by an order dated July 03, 2024, imposed a monetary penalty of ₹5,93,30,000/- (Rupees Five Crore Ninety Three Lakh and Thirty Thousand only) on The Mehsana Urban Co-operative Bank Ltd., Gujarat (the bank), for non-compliance with certain directions issued by RBI on 'Loans and advances to directors and their relatives, and firms / concerns in which they are interested', 'Comprehensive Cyber Security Framework for Primary (Urban) Cooperative Banks (UCBs)', 'Income Recognition, Asset Classification, Provisioning and Other Related Matters', 'Know Your Customer (KYC) Norms' and 'Donations to Trusts and Institutions where Directors, their relatives hold position or are interested'. This penalty has been imposed in exercise of powers conferred on RBI under provisions of section 47A(1)(c) read with sections 46(4)(i) and 56 of the Banking Regulation Act, 1949.

The statutory inspection of the bank was conducted by RBI with reference to its financial position as on March 31, 2022. Based on supervisory findings of non-compliance with RBI directions and related correspondence in that regard, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for its failure to comply with the instructions.

After considering the bank's reply to the notice, oral submissions made during the personal hearing and examination of additional submissions made by it, RBI found, *inter alia*, that the following charges against the bank were sustained, warranting imposition of monetary penalty. The bank had (i) sanctioned or renewed multiple director related credit facilities (both fund and non-fund based) to companies / concerns, where the directors or their relatives were interested, despite having been penalised for the same earlier; (ii) not implemented certain basic cyber security control measures and requirements under the Cyber Security Framework prescribed by RBI; (iii) not classified credit facilities of certain borrowers as non-performing assets (NPAs); (iv) allotted multiple Unique Customer Identification Codes (UCICs) to many individual customers; and (v) made donations to a trust/institution in which its director held position/was interested.

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 bank with its customers. Further, imposition of this monetary penalty is without prejudice to any other action that may be initiated by RBI against the bank.