



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-मेल/email : helpdoc@rbi.org.in



संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400 001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 फोन/Phone: 022 - 2266 0502

August 12, 2024

RBI imposes monetary penalty on CSB Bank Ltd.

The Reserve Bank of India (RBI) has, by an order dated August 08, 2024, imposed a monetary penalty of ₹1,86,80,000 (Rupees One Crore, Eighty Six Lakh and Eighty Thousand only) on CSB Bank Ltd. (the bank) for contravention of section 10(1)(b)(ii) of the BR Act, and non-compliance with certain directions issued by RBI on 'Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks' and 'Master Circular on Branch Authorisation'. This penalty has been imposed in exercise of powers vested in RBI conferred under the provisions of section 47A(1)(c) read with section 46(4)(i) of the Banking Regulation Act, 1949.

The Statutory Inspection for Supervisory Evaluation (ISE 2022) 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 maximum penalty should not be imposed on it for its failure to comply with the said directions. After considering the bank's reply to the notice and oral submissions made during the personal hearing, RBI found, *inter alia*, that the following charges against the bank were sustained warranting imposition of monetary penalty. The bank (i) paid remuneration in the form of commission to its certain employees under a scheme for incentivizing recoveries of Non-Performing Assets, (ii) failed to inform IBA regarding the termination of service providers and (iii) paid commission/fee to certain business correspondents which did not have a variable component.

The action is based on deficiencies in statutory and regulatory compliance and is not intended to pronounce upon the validity of any transactions or agreement entered into by the bank with its customers. Further, imposition of monetary penalty is without prejudice to any other action that may be initiated by RBI against the bank.