

**भारतीय रिज़र्व बैंक**
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RBI imposes monetary penalty on The Viramgam Mercantile Co-operative Bank Ltd., Viramgam, Dist. Ahmedabad, Gujarat

The Reserve Bank of India (RBI) has imposed, by an Order dated August 22, 2023, a monetary penalty of ₹5.00 Lakh (Rupees Five Lakh only) on The Viramgam Mercantile Co-operative Bank Ltd., Viramgam, Dist. Ahmedabad, Gujarat (the bank) for non-compliance with the directions issued by RBI on 'Loans and Advances to directors etc. – directors as surety/guarantors – Clarification', 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs)' and specific directions issued by RBI under the Supervisory Action Framework (SAF). This penalty has been imposed in exercise of powers vested in the RBI under the provisions of Section 47 A (1) (c) read with Sections 46 (4) (i) and 56 of the Banking Regulation Act, 1949.

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.

Background

The statutory inspection of the bank conducted by RBI with reference to its financial position as on March 31, 2022, and examination of the Inspection Report, Risk Assessment Report and all related correspondence pertaining to the same, revealed, *inter alia*, that the bank had (i) sanctioned loans wherein relatives of the bank's directors stood as surety/guarantor, (ii) breached prudential inter-bank counterparty exposure limit, and (iii) offered interest rates on deposits at rate more than those offered by the State Bank of India in violation of specific directions issued under SAF. 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 directions, as stated therein.

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