



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI imposes monetary penalty on Indian Bank

The Reserve Bank of India (RBI) has, by an order dated September 21, 2023 imposed a monetary penalty of ₹1.62 crore (Rupees One Crore and Sixty Two Lakh only) on Indian Bank (the bank) for non-compliance with certain directions issued by RBI on 'Loans and Advances – Statutory and Other Restrictions', '[Reserve Bank of India \[Know Your Customer \(KYC\)\] Directions, 2016](#)' and '[Reserve Bank of India \(Interest Rate on Deposits\) Directions, 2016](#)'. This penalty has been imposed in exercise of powers vested in RBI conferred under the provisions of Section 47 A (1) (c) read with Sections 46 (4) (i) and 51(1) 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 2021) of the bank was conducted by RBI with reference to its financial position as on March 31, 2021, and the examination of the Risk Assessment Report/Inspection Report pertaining to ISE 2021, and all related correspondence in that regard revealed, *inter alia*, non-compliance with the aforesaid directions by the bank, to the extent it (1) sanctioned a term loan to a Corporation (i) in lieu of or to substitute budgetary resources envisaged for certain projects; (ii) without undertaking due diligence on the viability and bankability of the projects to ensure that revenue streams from the projects were sufficient to take care of the debt servicing obligations; and (iii) the repayment / servicing of which was made out of budgetary resources, (2) allowed operations and not closed several accounts opened using OTP based e-KYC in non-face-to-face mode, even after expiry of one year without conducting customer due diligence procedure, and (3) opened several savings accounts in the names of customers not eligible to maintain savings deposit account. 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 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 on the bank.