



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

वेबसाइट : [www.rbi.org.in/hindi](http://www.rbi.org.in/hindi)

Website : [www.rbi.org.in](http://www.rbi.org.in)

ई-मेल/email : [helpdoc@rbi.org.in](mailto: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

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## Reserve Bank of India imposes monetary penalty on State Bank of India

The Reserve Bank of India (RBI) has, by an order dated September 21, 2023, imposed a monetary penalty of ₹1.30 Crore (Rupees One Crore and Thirty Lakh only) on State Bank of India (the bank) for non-compliance with certain directions issued by RBI on 'Loans and Advances – Statutory and Other Restrictions' and 'Guidelines on Management of Intra-Group Transactions and Exposures'. This penalty has been imposed in exercise of powers vested in RBI conferred under the provisions of Section 47A(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. 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, and (2) failed to adhere to the intra-group exposure limit, as it did not consider the intra-day limit sanctioned to its group entity for the purpose of computing intra-group exposure limit. 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 issued by RBI, as stated therein.

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 came to the conclusion that the aforementioned charge of non-compliance was substantiated and warranted imposition of monetary penalty on the bank.