



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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February 26, 2024

RBI imposes monetary penalty on City Union Bank Limited

The Reserve Bank of India (RBI) has, by an order dated February 08, 2024, imposed a monetary penalty of ₹66.00 lakh (Rupees Sixty-six lakh only) on City Union Bank Limited (the bank) for non-compliance with certain directions issued by RBI on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances - Divergence in NPA Accounts' and '[Reserve Bank of India \(Know Your Customer \(KYC\)\) Directions, 2016](#)'. 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.

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 2022) of the bank was conducted by RBI with reference to its financial position as on March 31, 2022. The examination of the Risk Assessment Report/Inspection Report pertaining to ISE 2022, and all related correspondence in that regard, revealed, *inter alia*, non-compliance with the aforesaid directions by the bank, to the extent (i) there was significant divergence between the Non-performing Assets (NPAs), as reported by it and as assessed during the inspection, and (ii) it did not put in place a system of periodic review of risk categorisation of accounts of its customers. Consequently, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for the failure to comply with the directions issued by RBI, as stated therein.

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