



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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March 19, 2024

RBI imposes monetary penalty on Tamilnad Mercantile Bank Limited

The Reserve Bank of India (RBI) has, by an order dated March 13, 2024 imposed a monetary penalty of ₹1,31,80,000/- (Rupees One crore thirty one lakh eighty thousand only) on Tamilnad Mercantile Bank Limited (the bank) for non-compliance with certain directions issued by RBI on '[Interest Rate on Advances](#)' and 'Central Repository of Information on Large Credits (CRILC) - Revision in Reporting'. This penalty has been imposed in exercise of powers vested in RBI conferred under the provisions of section 47 A (1) (c) read with section 46 (4) (i) of the Banking Regulation Act, 1949.

The Statutory Inspection for Supervisory Evaluation (ISE) of the bank was conducted by RBI with reference to its financial position as on March 31, 2022 (ISE 2022). Based on supervisory findings of non-compliance with RBI directions/statutory provisions and related correspondence in that regard, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for its failure to comply with the directions. 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 found *inter alia* that the following charges against the bank were sustained warranting imposition of monetary penalty. The bank (i) failed to benchmark the interest rate on certain floating rate loans to MSMEs to an external benchmark lending rate; (ii) adopted multiple benchmarks within the same loan category; (iii) failed to price certain floating rate loans with reference to actual benchmark rate applicable to those loans and (iv) wrongly reported external rating of certain borrowers to CRILC.

The action is based on deficiencies in 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.

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(Yogesh Dayal)
Chief General Manager