

**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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December 22, 2023

**RBI imposes monetary penalty on The Kutch Mercantile Co-operative Bank Ltd., Rapar, Dist. Kachchh, Gujarat**

The Reserve Bank of India (RBI) has, by an order dated November 30, 2023, imposed a monetary penalty of ₹3.00 lakh (Rupees Three lakh only) on The Kutch Mercantile Co-operative Bank Limited, Rapar, Dist. Kachchh, Gujarat (the bank) for non-compliance with the directions issued by RBI on 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs)' and 'Policy and Practice regarding Nominal Membership' read with RBI directions on 'Exposure Norms and Statutory/Other Restrictions- UCBs'. This penalty has been imposed in exercise of powers conferred on RBI under Section 47A(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 correspondence related thereto, revealed, *inter alia*, that the bank had (i) breached the prudential inter-bank gross exposure limit as well as the prudential inter-bank counterparty exposure limit; and (ii) sanctioned loans to its nominal members, where the loan amount in each case exceeded the applicable ceiling. Consequently, 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 by it 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.

**(Yogesh Dayal)**  
Chief General Manager