



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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December 15, 2021

RBI imposes monetary penalty on Punjab National Bank

The Reserve Bank of India (RBI) has, by an order dated December 15, 2021, imposed a monetary penalty of ₹1.80 Crore (Rupees One Crore and eighty lakh only) on Punjab National Bank (the bank) for contravention of sub-section (2) of section 19 of the Banking Regulation Act, 1949 (the Act). This penalty has been imposed in exercise of powers vested in RBI under the provisions of section 47 A (1) (c) read with sections 46 (4) (i) and 51 (1) of the Act.

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) of the bank was conducted by RBI with reference to its financial position as on March 31, 2019 and the examination of the Risk Assessment Report, the Annual Review of implementation of Exposure Management Measures for Financial Year 2019-20 carried out by RBI during July 2020 and all related correspondence pertaining to the same, revealed, *inter-alia*, contravention of sub-section (2) of section 19 of the Act to the extent the bank held shares in borrower companies, as pledgee, of an amount exceeding thirty per cent of paid-up share capital of those companies. 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 contravention of the aforesaid provisions of the Act, as stated therein.

After considering the bank's reply to the notice, oral submissions made during the personal hearing, and additional submissions made by the bank, RBI came to the conclusion that the charge of contravention of the aforesaid provisions of the Act was substantiated and warranted imposition of monetary penalty on the bank, to the extent of contravention of the aforesaid provisions of the Act.