

**भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA**वेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inई-मेल/email : helpdoc@rbi.org.in

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RBI imposes monetary penalty on Abhyudaya Co-operative Bank Limited, Mumbai

The Reserve Bank of India (RBI) has, by an order dated May 05, 2022, imposed a monetary penalty of ₹58.00 lakh (Rupees Fifty-Eight Lakh only) on Abhyudaya Co-operative Bank Limited, Mumbai (the bank) for non-compliance with the directions issued by RBI on 'Placement of Deposits with Other Banks', 'Monitoring and Reporting Mechanism of Frauds', 'Income Recognition, Asset Classification, Provisioning and Other Related Matters (IRAC norms)' and 'Management of Advances'. This penalty has been imposed in exercise of powers vested in RBI conferred under section 47 A (1) (c) read with sections 46(4)(i) and 56 of Banking Regulation Act, 1949 (BR Act), taking into account the failure of the bank to adhere to the aforesaid directions issued by RBI.

This action is based on deficiency 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 the bank's financial position as on March 31, 2019, the Inspection Report pertaining thereto and examination of all related correspondence revealed, *inter alia*, non-compliance with the aforesaid directions issued by RBI to the extent the bank (i) accepted fresh deposits from other non-scheduled UCBs despite not meeting the criteria for doing so and had also not phased out 100% of the existing deposits of UCBs by March 31, 2019, (ii) reported a fraud with a delay of 942 days, (iii) failed to classify certain loan accounts as NPAs as per IRAC norms, and (iv) failed to ensure end use of funds lent by it. 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 for contravention of the RBI directions, 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 aforesaid charge of non-compliance with the aforesaid RBI directions was substantiated and warranted imposition of monetary penalty, to the extent of non-compliance with such directions.