

**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**वेबसाइट : [www.rbi.org.in/hindi](http://www.rbi.org.in/hindi)Website : [www.rbi.org.in](http://www.rbi.org.in)ई-मेल/email : [helpdoc@rbi.org.in](mailto:helpdoc@rbi.org.in)

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September 26, 2022

**RBI imposes monetary penalty on The Varachha Co-operative Bank Ltd.,  
Surat (Gujarat)**

The Reserve Bank of India (RBI) has, by an Order dated September 16, 2022, imposed a monetary penalty of ₹1.00 lakh (Rupees one lakh only) on The Varachha Co-operative Bank Ltd., Surat (Gujarat) (the bank) for contravention of directions issued by RBI on '[Loans and advances to directors etc- directors as surety/guarantors- Clarification-UCBs](#)'. This penalty has been imposed in exercise of powers vested in the RBI under the provisions of Section 47 A (1) (c) read with Sections 46 (4) (i) and 56 of the Banking Regulation Act, 1949, taking into account the failure of the bank to adhere to the aforesaid directions issued by RBI.

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 the bank's financial position as on March 31, 2021, and examination of the Risk Assessment Report and all related correspondence pertaining to the same revealed, *inter alia*, that the bank had sanctioned two credit facilities to individuals wherein a relative of one of its directors stood as the surety / guarantor, resulting in contravention of aforesaid directions issued by RBI. 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 aforesaid directions issued by RBI.

After considering the bank's reply to the notice, the RBI came to the conclusion that the aforesaid charge was substantiated and warranted imposition of monetary penalty.