


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

संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई-400001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai-400001 फोन/Phone: 022- 22660502

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RBI imposes monetary penalty on Shree Chhani Nagarik Sahakari Bank Limited, Vadodara (Gujarat)

The Reserve Bank of India (RBI) has imposed, by an order dated March 29, 2023, a monetary penalty of ₹4.00 lakh (Rupees Four Lakh only) on Shree Chhani Nagarik Sahakari Bank Limited, Vadodara (Gujarat) (the bank) for contravention of directions issued by RBI on 'Board of Directors of Urban Co-operative Banks - Professionalisation and their Role - Do's and Don'ts', 'Prudential Norms Income Recognition, Asset Classification, Provisioning and Other Related Matters', '[Loans and advances to directors etc.- directors as surety/guarantors- Clarification](#)', 'Frauds in UCBs: Changes in Monitoring and Reporting mechanism' and '[Master Direction - Know Your Customer \(KYC\) Direction, 2016](#)'. 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 its financial position as on March 31, 2022, the Inspection Report and Risk Assessment Report pertaining thereto and examination of all related correspondence revealed, inter alia, that the bank (i) had bought insurance policy for its employees from one of its directors who was also an agent of the insurance company, (ii) had not identified its assets as Non-Performing Assets (NPAs) on an ongoing basis, (iii) sanctioned a loan wherein relative of one of its directors stood as surety / guarantor, (iv) did not report five fraud cases to RBI within prescribed timeline and (v) did not carry out periodic updation of accounts as per prescribed periodicity, resulting in contravention of aforesaid directions issued by RBI. Based on the same a notice was issued to the bank advising it to show cause as to why penalty should not be imposed for non-compliance with the directions issued by RBI.

After considering the bank's reply to the notice and oral submissions made during the personal hearing, the RBI came to the conclusion that the aforesaid charges of non-compliance with RBI directions were substantiated and warranted imposition of monetary penalty.