



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

वेबसाइट : www.rbi.org.in/hindi

Website : www.rbi.org.in

ई-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

May 12, 2023

RBI imposes monetary penalty on Canara Bank

The Reserve Bank of India (RBI) has, by an order dated May 09, 2023, imposed a monetary penalty of ₹2.92 crore (**Rupees Two crore ninety-two lakh only**) on Canara Bank (the bank) for non-compliance with the provisions of directions issued by Reserve Bank under 'Reserve Bank of India (Interest Rate on Advances) Directions, 2016', Reserve Bank of India (Interest Rate on Deposits) Directions, 2016, 'Compliance function in banks', 'Customer Protection - Limiting Liability of Customers in Unauthorised Electronic Banking Transactions', 'Customer Service in Banks' and '[Reserve Bank of India – \(Know Your Customer \(KYC\)\) Direction, 2016](#)'. This penalty has been imposed in exercise of powers vested in RBI under the provisions of section 47 A (1) (c) read with section 46 (4) (i) and Section 51 (1) of the Banking Regulation Act, 1949.

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, 2021. A scrutiny of the bank was carried out by RBI in July 2020 based on a high value fraud reported by another bank. Examination of the Risk Assessment Report, the scrutiny report and all related correspondences pertaining to the same revealed, *inter alia*, non-compliance with the aforesaid directions by the bank to the extent it (i) failed to link interest on floating rate retail loans and loans to MSME to an external benchmark, (ii) failed to link interest on floating rate rupee loans sanctioned and renewed during financial year 2020-21 to its Marginal Cost of Lending Rate (MCLR), (iii) opened several savings deposit accounts in the name of ineligible entities, (iv) registered dummy mobile numbers in several credit card accounts, (v) failed to pay any interest on deposits accepted under the daily deposit scheme and prematurely withdrawn within 24 months of opening of the accounts (vi) recovered SMS alert charges from customers, not on actual usage basis, and (vii) failed to undertake ongoing customer due diligence and put into use robust software for generating alerts when transactions were inconsistent with customer profile. In furtherance to the same, notices were 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 replies to the notices and oral submissions made 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, to the extent of non-compliance with such directions.