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change to the society

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A STUDY ON PENALTY IMPOSED BY RESERVE BANK OF INDIA ON MEMBER BANKS CRUX OF MY FINDINGS OF STUDY ON MAJOR NON-COMPLIANCE /VIOLATIONS/ DEVIATIONS IN RESPECT OF RBI GUIDELINES & BANKING REGULATION ACT

Authored by- Parthasarathi Loganathan

As on date RBI under the provisions of Section 46 & 47 of the Banking Regulation Act, 1949, has imposed **Rs.19496.01 Lakhs** as penalty on account of various violations and non-compliance of Regulatory and Statutory guidelines by member banks and financial institutions over the last five years on **551** occasions. Date-wise extraction of penalties imposed on member banks is enclosed in the Annexure:

CALENDAR YEAR-WISE BREAK UP

YEAR	OCCASIONS	AMOUNT
2022	68	773.97
2021	170	5511.64
2020	44	1682.02
2019	154	4352.08
2018	73	5134.20
2017	42	2042.10
TOTAL	551	19496.01

SECTOR-WISE BREAK UP

BANKING SECTOR	PENALTY	OCCASIONS
Co-operative Sector Banks	2787.78	314
Foreign Banks	1211.00	15
Gold Loan Institutions	33.00	13
Nationalized Banks	4159.80	81
Payment & Settlement Banks	1300.00	9
Private Sector Banks	7607.50	65
Remittance Institutions	57.46	2
State Bank of India	1050.00	7
Non Banking Financial Corporation(NBFCs)	1289.47	45
TOTAL	19496.01	551

(SOURCE : RBI-PRESS RELEASE DATA)

Findings On Major Non-Compliance/Violations

1. Know Your Customer (KYC)
 2. Strengthening the controls of Payment Ecosystem between sponsored banks and Select Financial Institutions.
3. Cyber Security Framework in Banks
4. Sanctioning of loans to Directors/Entities in which they are interested
5. Prohibiting Acceptance of Fresh Deposits
6. Operational Guidelines on Depositor Education Awareness Fund Scheme
7. Exposure Norms and Statutory and other restrictions for UCBs
8. Supervisory Action Framework
9. Information System Security Audit and Internal Audit Compliance.
10. Management of Advances including Housing Finance
11. Income Recognition, Asset Classification, Provisioning Interest Rate on Deposits.
 12. Frauds – classification, monitoring and reporting by commercial banks, UCBs, NBFCs and select FIs”
13. Non Systemically important non-deposit taking company.
14. Master Direction on Issuance and Operation of Prepaid Payment Instruments.
 15. ‘Customer Protection–Limiting Liability of Customers in Unauthorised Electronic Banking Transactions’.
16. ‘Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs).

CONCLUSION:

It is high time that Reserve Bank of India addresses the above violations and deviations/non-compliance by strengthening the technology framework in the banking industry within the extant statutory guidelines. Huge penalty amounts collected so far could be exclusively utilized to improve the existing Regulatory and Supervisory framework.

An Expert Committee is the need of the hour comprising of seasoned bankers, technocrats and lawyers to study and evaluate the Economic feasibility and technical viability and create a technological infrastructure so that all these critical violations and non-compliance are minimized and build up a robust banking industry for the future.

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