GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1128
ANSWERED ON:30.07.2010
NON COMPLIANCE OF RBI S GUIDELINES BY BANKS
Alagiri Shri S. ;Singh Rajkumari Ratna

Will the Minister of FINANCE be pleased to state:

(a) the details of penal action warranted for the violation of guidelines on the functioning of banks issued by the Reserve Bank of India (RBI) from time to time;

(b) the number of complaints relating to non-compliance of such guidelines received and the average time taken for the disposal of such complaints;

(c) whether an assessment of the quality of compliance of such guidelines has been made; and

(d) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (d): As per the provision of Section 47A of the Banking Regulation (BR) Act, 1949, Reserve Bank of India (RBI) is empowered to impose penalty on banks in case of contravention of the provisions of the BR Act, 1949, default in complying with any requirement of the Act or of any order, rule or direction made by RBI.

Certain deficiencies in the area of credit, investments, management, supervision, systems and control, compliance to KYC/AML guidelines, etc were observed during the Annual Financial Inspections and the offsite surveillance of banks. These deficiencies are followed up for rectification with the banks by the Regional Offices and Central Office of RBI. This is an ongoing process.

Besides, RBI received a few complaints which also included those alleging that banks have violated RBI guidelines. These complaints are normally disposed of within a reasonable time frame.

During the last three financial years, since the violations were not serious enough, no penalty was imposed on any of the Public Sector Banks. However, there have been a few instances of violation of RBI guidelines by Private Sector Banks and Foreign Banks as a result of which advisory notes/letters of displeasure were issued and penalties were imposed on them.