

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3177
ANSWERED ON:19.08.2011
VIOLATION OF RBI GUIDELINES ON DERIVATIVES
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Will the Minister of FINANCE be pleased to state:

- (a) whether some public and private sector banks have violated the Reserve Bank of India's guidelines on derivatives;
- (b) if so, the details thereof and the reasons therefor alongwith the action taken on such banks; and
- (c) the corrective steps taken / being taken by the Government/RBI in this direction?

Answer

The Minister of State in the Ministry of Finance (Shri Namu Narain Meena)

(a) & (b) The Reserve Bank of India (RBI) has informed that they had imposed penalties on 19 commercial banks on April 26, 2011 for contravention of various instructions issued by the RBI in respect of derivatives, such as, failure to carry out due diligence in regard to suitability of products, selling derivative products to users not having risk management policies and not verifying the underlying/adequacy of underlying and eligible limits under past performance route. RBI had issued Show Cause Notices to these banks. In response to this, the banks submitted their written replies. On a careful examination of the banks' written replies and the oral submissions made during the personal hearings, the Reserve Bank of India found that the violations were established and the penalties were thus imposed. The list of banks and amount of penalty imposed on them is as under:

(Rupees in Lakh)

Sl.No.	Name of bank	Penalty	Sl.No.	Name of bank	Penalty
1	Axis Bank Ltd	15.00	11	ING Vysya Bank Ltd	10.00
2	Barclays Bank PLC	15.00	12	Royal Bank of Scotland	10.00
3	HDFC Bank Ltd	15.00	13	Standard Chartered Bank	10.00
4	ICICI Bank Ltd	15.00	14	State Bank of India	10.00
5	Kotak Mahindra Bank Limited	15.00	15	Bank of America NA	5.00
6	Yes Bank Ltd	15.00	16	DBS Bank Ltd.	5.00
7	BNP Paribas	10.00	17	Deutsche Bank AG	5.00
8	Citi Bank NA	10.00	18	Hongkong and Shanghai	5.00
9	Credit Agricole - CIB	10.00		Banking Corporation Ltd.	
10	Development Credit Bank Ltd.	10.00	19	JP Morgan Chase Bank NA	5.00

(c) With a view to ensuring enhanced due diligence by banks while undertaking derivative transactions with their clients, RBI has issued circular dated August 2, 2011 on 'Comprehensive Guidelines on Derivatives: Modifications'.