

January 23, 2006

The Chairman & Managing Director
Indian Overseas Bank,
Central Office,
763, Anna Salai
Chennai – 600 002

Dear Sir,

Violations of RBI instructions etc. – Imposition of Penalty

Please refer to our letter No. DBS. CO. PP. No. 9300/11.01.021/2005-06 dated December 29, 2005, and your response letter dated January 10, 2006 in connection with imposition of penalty under Section 47A (1) (b) of the Banking Regulation Act, 1949.

2. After examining the bank's reply and the oral submission made on January 21, 2006, the Reserve Bank of India held, inter-alia, that the bank had violated RBI guidelines /directives/instructions in regard to the following aspects.

- a) Opening multiple accounts without adhering to KYC norms.
- b) Facilitating manipulation of IPO process by certain group of individuals by extending IPO finance to various fictitious individuals.
- c) Failing to monitor the unusual and suspicious transactions in the account and the failure of internal controls in monitoring the non-compliance with KYC policies/ procedures

3. In view of the above, the Reserve Bank of India has imposed a penalty of Rs.15.00 lakh (Rupees fifteen lakh only) on the bank.

4. You may also note to disclose the particulars of the above penalty in the "Notes on Accounts" to the Balance sheet in the Annual Report in terms of RBI Circular No. DBOD. BP. BC .49/21.04.018/2004-05 dated October 19, 2004.

Yours faithfully

(G. Gopalakrishna)

Chief General Manager-In-Charge